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China's 'supergun' may be destined for export market

China unveiled a 22-metre-long 85mm "supergun" which could be used against neighbouring countries. *Defence attachés in Beijing said that while* there was no obvious target for such a device, South Korea and Taiwan would be within range. China has an arsenal of ground-to-ground missiles but the weapon could be designed for export. Page 6

Portugal's premier to quit: Portuguese prime minister Aníbal Cavaco Silva, who inspired an economic resurgence in the country, said he would not stand for re-election in October. Page 16

Metallgesellschaft, German industrial and trading company, rejected criticisms in a US lawsuit by ex-chairman Heinz Schimmelbusch and said it would sue him in *the next few days. Page 17*

PLO to act against militants: The Palestine Liberation Organisation vowed to take tough action against Islamic extremists linked with Sunday's sui*cide bombing which killed 19 Israelis. Page 5;* Terror takes its toll, Page 14

Italian PM likely to win confidence vote: Italy's new prime minister, Lamberto Dini, looked set to win a confidence vote in parliament with the abstention of the rightwing coalition of former premier Silvio Berlusconi. Page 2

IBM profits surge: International Business Machines reported its first full year of profitability and revenue growth since 1990, with fourth-quarter net earnings of $1.2bn – well above Wall Street projections. Page 17; Poor results at Stratus, Page 20

UK growth revives fears of rate rise

Source: CSO

Britain's economy continued to grow at a fast rate in the final quarter last year, boosting speculation of a further rise in bank base rates next month or in March. The UK's Central Statistical Office estimated that gross domestic product, the total of goods and services produced, rose by a seasonally adjusted 0.8 per cent in real terms between the third and *fourth quarters,* increasing output in the final 1994 quarter by 4 per cent compared with the same three months the year before. Page 8

Samsung Heavy Industries, *South Korea's* biggest construction equipment producer and one of several facing a dumping complaint from European rivals, is to establish its first foreign manufacturing plant in a former steel fabrication factory in northern England. Page 8

Cuts threaten Swedish childcare: Sweden's childcare system is feeling the strain of the crisis in *public finances which has forced the ruling Social* Democrats to propose public spending cuts of some SKr50bn ($37bn). Page 16

Satellite phone contest: A race to build the first global hand-held satellite phone system is under way with the completion of equity financing for one competing company, Inmarsat, London-based satellite communications group. Page 7

Author in court over oppression claim: Turkish author Yasar Kemal appeared at a state security court to explain statements in a German magazine article accusing the state of systematically oppressing its people, particularly the Kurds. No formal charges have been laid.

Mercedes-Benz, which expects its commercial vehicle operations to return to profit this year, plans to raise van production capacity in Europe by 60 per cent and begin van assembly in South America. Page 18

New FT print site

From today, the Financial Times begins printing in Sweden as part of its international expansion. The site at Jönköping in southern Sweden is the sixth in the newspaper's network.

The FT is also printed in London, Frankfurt, Roubaix (France), New Jersey (US), and Tokyo. Over the next year, the newspaper is planning to add print centres in southern Europe, Hong Kong and California.

Cost savings expected from creation of world's largest drugs group

Glaxo in £9.4bn Wellcome bid

By Jenny Luesby in London

Glaxo yesterday launched a £9.4bn ($14.7bn) bid for Wellcome, which would make Glaxo Wellcome the world's largest drugs company but lead to substantial job cuts among the new group's 62,000 employees.

Cost savings and complementary research programmes were the main reasons for the move, said Sir Richard Sykes, Glaxo's *chief executive.*

The Wellcome Trust, a research charity which owns 39.5 per cent of Wellcome's shares, agreed on Sunday to accept the offer, subject to High Court approval. Wellcome itself was only informed of the bid yesterday morning in a telephone conversation between Sir Richard and Mr John Robb, Wellcome's chairman and chief executive.

In view of the unsolicited *nature of the offer, the Wellcome* board was "evaluating all available options for the company", it said. It strongly recommended shareholders "take no action".

The accord between Glaxo and the Wellcome Trust includes a four-day opt-out period, during which the trust can change its mind on the basis of new information from the Wellcome board. However, the offer itself is final and cannot be amended unless there is a rival bid.

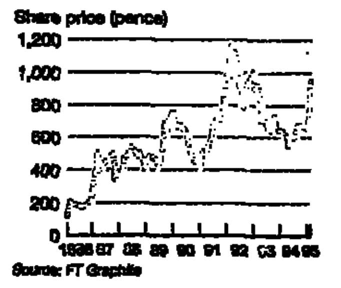
Glaxo is offering £7.22 in cash and 0.47 of a new Glaxo share for each Wellcome share. This is *based on a value of 1,025p per* Wellcome share, which represents a 49 per cent premium over Friday's closing price of 688p, and amounts to a market capitalisation for Wellcome of £8.9bn. With the inclusion of unexercised share options in Wellcome, the bid values the company at £9.4bn. The options would yield a profit for staff of more than £170m.

Full acceptance of the offer, also available to shareholders in the US, would involve the issue of 409m new Glaxo shares, equivalent to about 11.8 per cent of the company's enlarged ordinary share capital, and a cash payment of £6.3bn.

Lazard Brothers, Glaxo's financial advisers, said financing had *been agreed with several banks* to cover the whole cash payment. However, Glaxo's net liquid assets are estimated at more than £2.5bn. This cash pile had made an acquisition likely for some *time, as had the expiry of patents* on Glaxo's best-selling ulcer treatment, Zantac, which accounts for about 43 per cent of sales. Glaxo has just won approval for a non-prescription *version of the drug in the UK,* but earnings growth is bound to slow eventually and the company yesterday reported the first fall in Zantac sales, in the second half of last year.

For similar reasons, Wellcome has been seen as a likely takeover target. The US patent on the

Continued on Page 16



Source: FT Graphite

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Wellcome staff could net £170m ....Page 22

Sir Richard Sykes yesterday: takeover of Wellcome would mean cost savings

Picture Tony Andrews

Head of Britain's top life insurer quits

By Norma Cohen and *William Lewis in London*

Mr Mick Newmarch, chief executive of Prudential, the UK's largest life insurer, resigned abruptly yesterday, as the company disclosed that the Stock Exchange was investigating his dealings in Prudential shares.

Mr Newmarch, 56, who made a £203,000 profit from controversial share dealings last October, cited a worsening relationship between *him* and *regulators of UK retail* financial services as the reason for his resignation.

Following a five-hour board meeting yesterday, Prudential issued a statement saying it had "reluctantly" accepted the resignation of Mr Newmarch, who has spent his entire working life, since 1955, at the company and has been chief executive since 1990.

Mr Newmarch is due to discuss *his share dealings with Stock* Exchange officials today. His resignation will be controversial because the Prudential is one of the leading UK institutional investors, managing roughly £70bn ($111bn) of funds, and Mr Newmarch is one of the insurance industry's most prominent figures.

Sir Brian Corby, the Pru's non-executive chairman, will take executive responsibility for the group, and chair the executive committee until a new chief executive can be found.

Mr Newmarch is understood to have contacted board members over the weekend to let them know he intended to resign.

Sir Brian insisted Mr Newmarch's resignation reflected the accumulation of years of frustration with the regulatory structure, rather than the on-going investigation by the Stock Exchange. "He felt enough is enough," Sir Brian said.

"*At the end of the road, we had* to agree," Sir Brian said of Mr Newmarch's decision. "He did the honourable thing."

Mr Newmarch netted a £203,000 profit on October 25 by exercising options on 208,750 shares in Prudential, and then selling them before the Securities and Investments Board, the City's regulatory watchdog, published a highly critical report on the mis-selling of personal pensions. The report had been circulated within the industry before publication.

Mr Newmarch exercised the *options at a price per share of* 198.9p, selling the shares in the market at 296p. Prudential shares rose after publication of the report.

Prudential defended Mr Newmarch's dealings at the time on the grounds that it was the last day on which he could exercise the options before they expired. However, the Stock Exchange is thought to have questioned why he then sold the shares.

The Stock Exchange said yesterday that Mr Michael Lawrence, its chief executive who *used to be the Prudential's* finance director, had played no part in the investigation. "He explicitly removed himself," a spokesman said.

Mr Newmarch's share dealings was apparently picked up by Stock Exchange investigators in the "normal course of events", an official said.

Mr Newmarch has been an outspoken critic of the the Personal Investments Authority, the new *self-regulatory body for the retail* financial services industry. The Prudential has been almost alone in the industry in refusing to *join. He attacked it for interfer*ing unduly in the internal affairs of companies.

Mr Keith Bedell Pearce, a director of Prudential and a board member, said Mr Newmarch had the full support of the group's executive directors, both for the stance he took towards the retail financial services regulators and over his share dealings.

Analysts said the resignation was disturbing because of the *lack of an obvious successor.*

Lex, Page 16

Microsoft and Sony link to devise superhighway products

By Alan Cane in London and *Michiyo Nakamoto in Tokyo*

Microsoft, the world's largest computer software company, yesterday announced it will work with Sony of Japan to create products for the developing information superhighway.

It will be the US company's *first substantial collaboration* with Sony, one of the world's leading consumer electronics companies, and is wider in scope than Microsoft's agreements with other hardware manufacturers. The two companies intend to examine a broad array of products and markets for the superhighway – the term used to describe high capacity telecommunications lines connected with the home and office.

Mr Bill Gates, Microsoft's chairman, said the alliance was a consequence of the convergence of consumer electronics and computers: "*When we sat down to* discuss shared goals, it was clear that consumers worldwide could *benefit from our co-operative* innovations," he said.

One possibility is that Microsoft will support the recent alliance between Sony and Philips of Holland on the design of the next generation of video compact discs. A rival design from Time Warner and Toshiba has *attracted backing from Matsush*ita and Pioneer. Microsoft is understood to be impressed by the Sony/Philips format, but has not decided which to support.

Neither Microsoft nor Sony would speculate on future products. They said they intended to work initially on the hardware and software necessary to deliver video entertainment which viewers can control. Microsoft has already developed a system capable of transitting video pictures along telephone lines.

An immediate task will be to develop electronics which can be *incorporated in a television set to* receive and decode the picture and allow the viewer to send instructions and messages back to the central computer. A Sony spokesman said the collaboration might lead to a commercial interactive video system by next year at the earliest.

This has not proved an easy alliance to forge. The two companies began talking last July and *have spent the past six months* defining areas where they could work profitably together.

No value has been put on the deal and no money has changed hands. Sony researchers, led by Mr Junichi Kodera, a senior managing director in the company, are moving into Microsoft's Redmond research centre in Washington state.

Observers said the alliance gives Microsoft a chance to catch *up in the area of interactive* video, where it has lagged behind Oracle in software and Hewlett Packard in hardware. It gives *Sony the basis for a previously* absent multimedia strategy.

Markets fall sharply as investor confidence is shaken

By Philip Coggan in London and Gerard Baker in Tokyo

World stock markets fell sharply yesterday amid concerns about the effect of the Kobe earthquake on the Japanese economy, worries about the Mexican financial crisis and fears of higher US interest rates.

Investors, many nursing losses sustained in bond and share markets last year, appeared to be increasingly keen to leave equities for the safety of cash.

"There's a lack of confidence and a reduction in tolerance of risk," said Mr Michael Hughes, global strategist at securities house BZW. "People are worrying about things such as the stability of governments and the possibility of another Japanese earthquake. That is a sign of a bear market mentality."

In Tokyo yesterday morning, the Nikkei 225 index fell by 1,054.7 points, or 5.6 per cent, to 17,785.5, dropping below 18,000 for the first time in more than a year. Dealers reported that foreign investors were heavy sellers because of worries about the immediate blow to the Japanese economy of the Kobe earthquake from the loss of output and damage to the region's infrastructure. *Traders also feared the fast-rising* costs of reconstruction might force Japanese institutions to sell

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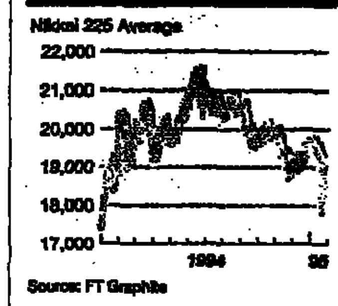

Source: FT Graphite

■ STOCK MARKET INDICES		
New York lunchtime		
Dow Jones Ind Av	3,845.54	(–23.89)
NASDAQ Composite	754.72	(–7.33)
Europe and Far East		
CAC40	1,772.84	(–40.49)
DAX	2,026.83	(–28.07)
FT-SE 100	2,954.2	(–40.8)
Nikkei	17,785.4	(–1054.73)

■ US LUNCHTIME RATES	
Federal Funds	5⅞%
3-mth Treas Bills: Yld	5.902%
Long Bond	95 5/32
Yield	7.919%

■ OTHER RATES		
UK: 3-mo Interbank	6 11/32%	(6 11/32%)
UK: 10 yr Gilt	87 1/32	(87 7/16)
France: 10 yr OAT	94.85	(95.40)
Germany: 10 yr Bund	82.2	(82.5)
Japan: 10 yr JGB	96.0560	(92.266)

■ NORTH SEA OIL (Argus)		
Brent 15-day (Mar)	$16.68	(16.88)

■ GOLD		
New York: Comex		
Feb	381.4	(385.4)
London:		
close	$382.1	(384.1)

■ DOLLAR		
New York lunchtime		
£	1.596	
DM	1.501	
FFr	5.2315	
SFr	1.2665	
Y	98.55	
London:		
£	1.5945	(1.5901)
DM	1.5095	(1.5087)
FFr	5.2265	(5.223)
SFr	1.2657	(1.2685)
Y	98.725	(99.17)

■ STERLING		
DM	2.4066	(2.3988)
Tokyo close:	Y 99.93	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira30	Slovak Rp	KSL60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	CZK56	Israel	Shk7.80	Oman	OR1.50	Spain	Pta225		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60		
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00		
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500		
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000		
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00		

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NEWS: EUROPE

Western criticism of fighting in Chechnya grows more strident

Rouble plunges to record low

By Chrystia Freeland in Moscow

Russian economic reforms and the country's chances of aid from the west were again in danger yesterday as financial markets pushed the rouble to a new low and western leaders stepped up their criticism of the war in Chechnya.

The continued collapse of the rouble and increasingly sharp western attacks on the fighting come at a time when the Russian government is trying to persuade the International Monetary Fund to extend a $6.25bn standby loan.

However, both western economists in Moscow and Russian currency traders yesterday registered their growing scepticism about the government's commitment to the austerity programme it unveiled in the autumn.

The markets delivered their verdict by pushing the rouble to an all-time low of 3,969 against the dollar yesterday. Traders, who said the war in Chechnya and inflationary expectations were driving investors into the safe haven of hard currency, predicted that the rouble would fall below 4,000 by the end of the week.

Senior western officials, led by the Germans, also intensified pressure on the Kremlin to change its political and economic course. Mr Klaus Kinkel, the German foreign minister, warned yesterday that the Chechen misadventure could deprive Russia of western financial assistance and investment.

"If things continue in Chechnya as they appear at the moment then investment, and of course economic support as well, will be automatically withheld," Mr Kinkel said. His comments were echoed by Mr Günter Rexrodt, the German economics minister, who warned yesterday that Russia risked "gambling away" western aid and investment if it continued to pursue the war in Chechnya.

Intensified western criticism of Russia's political course coincided with renewed efforts by the Russian Finance Ministry to push the 1995 budget through parliament, in a debate scheduled for tomorrow, and persuade the IMF to extend a standby loan. But, despite Russia's stepped-up rhetorical campaign, western economists in Moscow remained sceptical yesterday about the government's commitment to macro-economic stabilisation.

Mr Sergei Aleksashenko, deputy minister of finance and one of the few remaining reformers in the cabinet, said yesterday that the IMF must relax its technical requirements and extend aid to Russia because otherwise "fascists and communists" would take control of the government.

Mr Vladimir Panskov, the finance minister, went even further, predicting that parliament would pass the draft budget tomorrow. If the budget were passed, "there is an agreement with the IMF that Russia will receive the loan".

However, officials from western financial institutions cast doubt on his comments. "If I had to make a bet," one official said, echoing the views of several western economists interviewed yesterday, "I would say the budget will not be passed." Western officials also insisted that, notwithstanding Mr Panskov's claim, ratification of the budget by parliament would not guarantee that Russia would receive the IMF loan.

According to the IMF, negotiations with Russia are being hampered not only by the mounting costs of the Chechen war and pressure from various lobbies, such as farmers and the military, to increase expenditure, but also by the perception that the government in Moscow is not wholeheartedly committed to economic reform.

"It is one thing if you have a reformist government willing to spread the pain of an austerity budget equitably among the population," one western economist said, "but that does not seem to be the case in Russia."

Economists are particularly troubled by the government's preferential treatment of the oil and gas sector, the country's most prosperous industry and one with powerful allies within the cabinet.

Examples of the oil and gas sector's favoured status include a decision in December to set the tax on gas exports at Ecu2 ($2.50) per 1,000 cubic metres, rather than the Ecu5 recommended by the IMF.

This decision alone, economists say, deprived the cash-strapped treasury of $600m in revenues. Another unresolved issue is the decree to liberalise oil exports, which western economists say could be made meaningless by as yet unresolved details of its implementation.

European Union foreign ministers yesterday condemned the "serious violations of human rights" in Chechnya, but steered clear of threats of economic sanctions against Russia, writes Lionel Barber in Brussels.

Diplomats said the measured language reflected a consensus within the Union to avoid taking any steps which could undermine President Boris Yeltsin or weaken the forces of economic reform in Russia.

Ministers avoided any decision to delay the signature of an interim partnership and co-operation agreement which provides for trade benefits and closer political ties between the EU and Russia.

A statement issued last night in Brussels called for an immediate end to the fighting and the opening of negotiations on a political solution to the conflict between Russia and rebels in the breakaway republic.

Ministers also demanded freedom of access to Chechnya in order to guarantee humanitarian aid convoys to the stricken population.

The EU is hoping that Russia's agreement to allow a delegation from the Organisation for Security and Co-operation in Europe (formerly the CSCE) could open the way for the OSCE to play a role in resolving the crisis, leading to free and fair elections in Chechnya.

Moscow ready for long fight to pacify Grozny

By Steve LeVine in Znamenskoye

The leader of Chechnya's Moscow-approved government-in-waiting yesterday predicted that it would take 6 to 18 more months to pacify the republic's separatist forces.

Mr Salembek Hajiev, 54, who will be prime minister once Moscow installs a new government in breakaway Chechnya, said he hoped to establish an office in the Russian-controlled part of the capital, Grozny, in the next week to 10 days.

After that, however, Russian forces would continue to battle against determined separatist forces loyal to Chechen president Dzhokhar Dudayev, who have fought the Russian army to a standstill after three weeks.

"Dudayev proceeds from the idea that the more bombing that takes place, the more damage that is done, the more embittered people will join the fighting," said Mr Hajiev, interviewed in his office in Znamenskoye, 40 miles north-west of Grozny.

Mr Hajiev heads a self-proclaimed "interim government" that Moscow has anointed to replace Mr Dudayev. Russian forces have been attempting to crush Mr Dudayev's separatist movement since December 11, when they deployed in the Moslem republic.

It appeared, however, that even Mr Hajiev and his pro-Russian colleagues fear they will be seen as quislings once they achieve power.

When asked how he would answer accusations that he came to power behind Russian guns, Mr Hajiev tried to blame his key colleague, Mr Umar Avturkhanov, who heads the interim government legislative arm, and Mr Dudayev. Mr Avturkhanov himself blames Mr Dudayev as well.

"We tried our best to avoid Russia's interference here but we also saw there was no other way out," Mr Hajiev said. "If we manage to preserve Russia on a democratic path, Chechnya will also be democratic."

Mr Hajiev said his interim government planned to bring murder charges against Mr Dudayev, among other cases against current Chechen government leaders.

A Chechen woman cowers with other refugees in a truck evacuating them from Bamut, near Grozny, which came under attack from Russian aircraft on Sunday *Reuter*

Nato warned over eastward expansion

By Judy Dempsey in Berlin

A senior Russian official, in one of the strongest criticisms so far of Nato's plans for closer co-operation with eastern Europe, yesterday warned the organisation not to expand eastwards. If it did, "Russia might not yield," he said.

At the same time, Mr Sergei Karaganov, a member of President Boris Yeltsin's presidential council, a consultative body of experts, and deputy director of the European Institute of the Russian Academy of Sciences, said it was in the interests of Russia to have a 1,500km semi-militarised zone between Nato and the Russian federation.

That zone, he added, would include the countries of eastern Europe, particularly Poland, even though Warsaw is currently pressing for much closer co-operation with Nato and eventual membership of the western military alliance.

Mr Krzysztof Skubiszewski, the former Polish foreign minister, immediately challenged Mr Karaganov, arguing that Poland would not be part of a "grey zone", or cordon sanitaire which had existed since 1945 until the collapse of the communist system in 1989-1990.

Mr Karaganov was speaking at a security policy conference organised by the German defence ministry in Berlin.

His critical views on Nato's plans to expand eastwards gradually has rekindled the debate about Nato's own relationship with Russia, and Russia's long-term strategic interests at a time when the west is trying to come to terms with Moscow's crackdown of the breakaway republic of Chechnya.

Although Nato has repeatedly said it would not close off the possibility of including Russia in the organisation, Mr Karaganov said its western partners should try "and stop persuading us that Nato's expansion is in Russia's interests".

Mr Karaganov, considered to represent the views of the liberal élite in Moscow, said Russia had no intention of threatening eastern Europe. "Our interest is keeping our neighbours in central Europe psychologically comfortable. We are interested in their stability. But we believe that those kinds of needs could be speeded up by the expansion of the European Union, and not by Nato expansion."

But in a warning to Nato, Mr Karaganov said "we are not interested in militarising our relationship with the west, if our borders come close [to Nato]. The reaction could be much stronger and we don't want those kinds of things to come back". He added that if Nato is expanded, "I do not know if Russia would yield. The liberal westerners in Russia would be undermined".

His views surprised his audience of senior German military officials and defence officials and experts from the US, Britain, France, eastern Europe and Scandinavia who argued yesterday that it was not in the interests of the west to isolate Russia, especially now.

"We have to adopt a different strategy from the stereotypes of the cold war," said Mr Skubiszewski, an ardent supporter of Nato offering a security blanket for eastern Europe. "But the grey zone is unacceptable," he added.

East European officials said yesterday Mr Karaganov's views only confirm the sense of urgency for these countries moving closer to Nato. But western officials said Russia did not have the right of veto over any country seeking closer co-operation or eventual membership with the alliance.

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Talks on this year's wage award set to assume secondary role

German unions focus on new jobs

By Christopher Parkes in Frankfurt

Germany's trade union leadership has made a determined attempt to divert this year's wage negotiations away from the well-worn route to the cul de sac where employers and employees customarily do battle each spring over pay percentages.

The acceptance last weekend by the DGB union confederation that shorter working times at reduced wages, and Saturday working at normal hourly rates, might help generate jobs will steer the debate on pay and conditions into a far wider and more promising avenue which could eventually lead to a reform of the relationship between the social partners and a new deal on job creation.

Although traditional events such as walk-out warning strikes cannot be ruled out as the routine pay talks continue, shorter-term considerations such as this year's wage award will assume a secondary role.

Despite some rearguard blustering yesterday from Mr Klaus Zwickel – the head of the heavyweight IG Metall engineering and metalworking union declared himself firmly against weekend work – the DGB's declaration was a timely intervention in a deadlocked discussion.

The unions can now turn up at talks on how to repair structural weakness in the German labour market – due tomorrow under the chairmanship of Chancellor Helmut Kohl – and justifiably claim to be adopting a constructive attitude.

On the other hand, the DGB could be said to be bowing to the inevitable: merely formalising the lifting of pay and conditions taboos which have already been fatally undermined.

Volkswagen has been operating a so-called four-day week (with matching pay cuts) in its German works for almost a year with the blessing and co-operation of IG Metall.

Implementation has been messy and muddled, and the long-term merits of the project are still in doubt, but the fact remains that most of the 30,000 workers designated as surplus to VW's needs a year ago are still employed at the vehicles group.

The jury is also still out on a national "employment promotion" initiative dating from last year's pay and conditions settlement in the chemicals industry. Results have been muddied by the continuing run-down of the sector's workforce, which was reduced by 5 per cent last year and was warned last week that a further 30,000 jobs may go this year.

Nonetheless, negotiated cuts in starting pay enabled the industry to find jobs for 95 per cent of apprentices completing their training, and 1,000 long-term unemployed people found their way back into the workforce through a similar deal under which they were paid 90 per cent of the basic rate, according to the chemicals industry employers' association. Meanwhile, around 28,000 workers are working flexi-time in a "corridor" between 35 and 40 hours a week instead of the regular 37.5 hours.

This year's key pay talks are now well under way. In routine fashion, metal, chemicals and other unions have tabled their claims (in general for 6 per cent), and have yet to receive an offer. The first threats of warning strikes have already been issued by IG Metall officials in Lower Saxony, agitating for action as soon as the statutory cooling-off period expires next weekend.

But the most significant "industrial action" in the coming days will be the secret enterprise among the representatives of employers, unions and government meeting in the chancellor's office. There is already a consensus that while the catastrophic job cuts occasioned by recession are past, competitive pressure and structural change within industry will continue to bloat the unemployment register for the foreseeable future.

In the light of last weekend's events, there now seems to be reason to hope that consensus on ways of responding to the problems are closer than some – including IG Metall's gruff Mr Zwickel – would like the world to believe.

Dini on course to win key vote in assembly

By Robert Graham in Rome

Italy's new prime minister, Mr Lamberto Dini, yesterday looked set to win a confidence vote in parliament with the abstention of the right-wing coalition of former premier Silvio Berlusconi and his allies.

The move to abstain in the vote tomorrow was hinted at by Mr Berlusconi in his initial reaction to Mr Dini's exposé of the action programme of his emergency government, composed exclusively of non-politicians.

"An abstention would allow the government to operate and would give us the opportunity to vote on a case-by-case basis," Mr Berlusconi told state television after the opening of the confidence debate in the chamber.

It was the clearest indication so far that Mr Berlusconi had been forced to backtrack on his objections to Mr Dini serving in more than the briefest of administrations leading Italy to fresh general elections.

Mr Dini's programme was centred on four priorities: improving public finances, pension reform, new regional electoral laws, and a temporary regime controlling media use during elections.

He refused to set a specific timetable, as demanded by Mr Berlusconi and his allies. However, he said: "To dissipate any doubts or misunderstandings, this government will consider its mandate finished once it has carried out the four priorities, assumed as the essential part of its programme." Mr Dini also added the threat of resignation if he found his task impossible.

The 63 year-old former director-general of the Bank of Italy said he believed it was possible to introduce new electoral laws for the regions by the end of February (to allow for spring local polls) as well as new, albeit temporary, rules on the use of the media.

These were his most immediate priorities, he said. But this appeared mainly an attempt to offer an olive branch to his former colleagues in the right-wing coalition.

He added it was equally vital to introduce a corrective mini-budget – probably of around L15,000bn ($9.2m) – and carry out reform of the deficit-ridden state pensions system.

Significantly, Mr Dini's speech opening the confidence debate was divided into two main parts.

The first centred on a broad outline of policy guidelines into which his priorities were set, while the latter part dealt with his principal objectives. He spoke in some detail about all the key issues facing any government including restoration of ethics in public life, improvement of the judicial system.

Mr Dini also was careful to address the financial markets, promising to restore a measure of stability in government policy in the hope of allowing the lira to strengthen. He said he would commit his administration to leading Italy back into the European exchange rate mechanism as part of its belief in the EU and the move towards eventual political union.

On privatisation, Mr Dini said he would continue the Berlusconi government's policy but would speed the sale of the state's remaining interests in banking institutions. This he regarded as an important signal for liberalising Italy's financial markets.

His insistence on a broad programme caused some perplexity among the Berlusconi camp.

It was interpreted as a sign that Mr Dini, despite promises of a short-term administration, could last longer than expected.

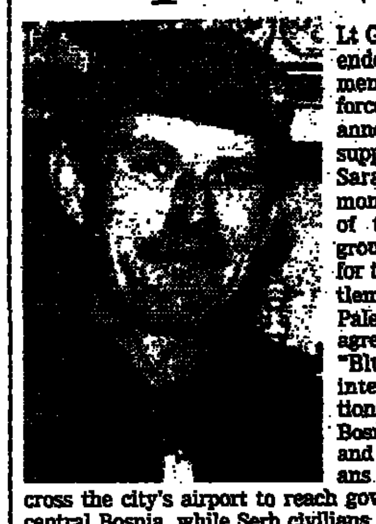
Mr Dini also refrained from any mention of early elections – the main platform of Mr Berlusconi and his allies.

In general the speech was astutely balanced with something for everyone, including the Northern League, to whom he offered more regional control over fiscal matters. His policy proposals would be hard for Mr Berlusconi and his allies to oppose without their opposition back-firing.

Earlier in the day Mr Dini announced the list of his 34 junior ministers, all non-politicians. This is the first time since the second world war that an Italian government has been entirely composed of people drawn from outside parliament. The 1993-94 Ciampi government was headed by a former governor of the Bank of Italy and contained a large number of technocrats but the junior ministers were all politicians.

EUROPEAN NEWS DIGEST

Sarajevo deal reopens roads



Lt Gen Sir Michael Rose (left) ended his year-long assignment as commander of UN forces in Bosnia yesterday by announcing the reopening of supply routes in and out of Sarajevo at the end of the month. Meanwhile, officials of the five-nation contact group were due in Sarajevo for talks aimed at a wider settlement before travelling to Pale later in the week. The agreement on reopening the "Blue Routes" covered all international aid organisations, as well as a number of Bosnian humanitarian groups and civilian traffic. Sarajevans will once again be able to cross the city's airport to reach government-held territory in central Bosnia, while Serb civilians will be able to cross from one Serb-held suburb to another.

Resolving the issue of Blue Routes is seen as a key component of the four-month ceasefire agreed on New Year's Day, although yesterday's deal does no more than restore the terms of an earlier agreement, brokered by the UN last spring, which broke down in July. The new deal was struck after long talks at Sarajevo airport between the Bosnian government's official in charge of relations with the UN, Mr Hasan Muratovic, and the speaker of the self-styled Bosnian Serb parliament, Mr Momcilo Krajisnik. Before leaving Sarajevo Gen Rose said it would be up to his successor, Lt Gen Rupert Smith, another Briton, to maintain the momentum until the two sides returned to direct negotiations. *Paul Adams, Belgrade*

Bulgarian cabinet nominated

The Bulgarian Socialist party, the victor in December's general elections, has named a cabinet to be approved tomorrow by parliament, where it holds a majority. The new government will be headed by Mr Zhan Videnov, a 35-year-old, Moscow-educated economist, who has led the BSP, the re-named Communist party, since 1991. The cabinet is dominated by former senior communist officials but includes technocrats in some key posts. Mr Dimitar Kostov, a former deputy finance minister and experienced technocrat, is set to become finance minister, while Mr Georgi Pirinski, a charismatic economist from the reformist wing of the BSP, has been nominated foreign minister. However, diplomats and analysts in Sofia said it remained to be seen whether generally young, pro-reform technocrats would have much political clout in a cabinet dominated by older and more hardline members of the BSP. *Virginia Marsh, Budapest*

Britons work longest EU hours

Britons work a longer week than any of their EU partners, in the only member state where the working week has lengthened in 10 years. UK workers put in a total of 43.4 hours a week, compared with an EU average of 40.3 hours. The country with the shortest week is Belgium, where employees work 38.2 hours. The figures, published yesterday by the Union's statistical office, Eurostat, show that the working week has shortened in most EU countries since the early 1980s, other than in the UK where it has lengthened by over an hour since 1983. Apart from the UK, the working week exceeds 40 hours only in Portugal – which has the second longest week – Ireland, Greece and Spain. Denmark and the Netherlands have had the biggest reductions – 1.7 and 1.6 hours respectively. Belgium, France and Italy, which all had working weeks below 40 hours in the early 1980s, have remained below that threshold, while Denmark, Germany, Luxembourg and the Netherlands have all dropped below. *Emma Tucker, Brussels*

Swiss to redraft money law

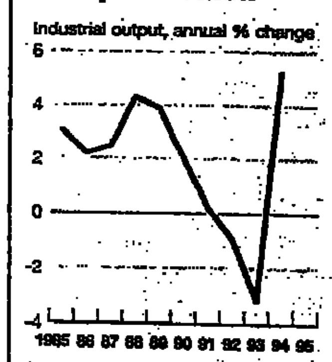
The Swiss government will rewrite a draft law against money laundering after the first version was rejected by bankers and conservative politicians as too strict, the Finance Ministry said yesterday. A ministry working party should complete the new draft this year. Switzerland, under international pressure to crack down on the flow of organised crime profits, last year curtailed the country's bank secrecy for the first time, with a law allowing banks to report suspicious customers to police. But the draft law would have gone further by requiring bankers, asset managers and lawyers to call police if they suspected money was coming from the drugs trade or other Mafia-style crime. The first version of the law was circulated to banks, professional organisations and political parties for their comments. Many said the law was too sweeping in demanding banks and other financial bodies make sure of customers' identities and report suspicious deals. *Reuter, Berne*

Teleworking call to Europe

Europe must act with a greater sense of urgency if it is to become a true "information society", Mr Lucio Stanca, chief executive of IBM's European operations warned yesterday. "Technology and globalisation are transforming the way we live and work," said Mr Stanca at a conference in Brussels on teleworking – working from home using a personal computer connected by telephone to the office. "Europe must rise to the challenge, or risk falling behind the US and the Asia Pacific region," he said. In particular Mr Stanca called for changes in the regulatory environment in Europe to increase competition, lower telecommunications costs and give consumers confidence that individual privacy will be protected. He said labour laws should also be changed to allow for new and more flexible methods of work such as teleworking, and he called for changes in attitudes to ensure that Europe does not become a two-tier society where only part of the population has access to new technology. *Paul Taylor, London*

ECONOMIC WATCH

EU industrial output up 5.2%



Industrial output in the European Union rose by 5.2 per cent last year, according to statistics released yesterday by Eurostat. This follows a fall of 3.2 per cent in 1993. Output rose in all 12 EU states covered by the survey but growth was uneven. Industrial production was up 11.2 per cent in Ireland. 10.8 per cent in Denmark, 7.5 per cent in Luxembourg and 7 per cent in Spain. Italy, up 6.1 per cent, and the UK, up 5.3 per cent, also performed better than the EU average. Industrial output in Germany and France increased less than the average, however, rising 3.5 per cent and 3.2 per cent respectively. Growth was weakest in Portugal, Greece and the Netherlands: 0.3 per cent, 1.6 per cent and 2.2 per cent respectively. The overall figure of 5.2 per cent compares with 5.4 per cent in the US last year. Japanese output rose by 0.1 per cent over the same period. *Foreign Staff*

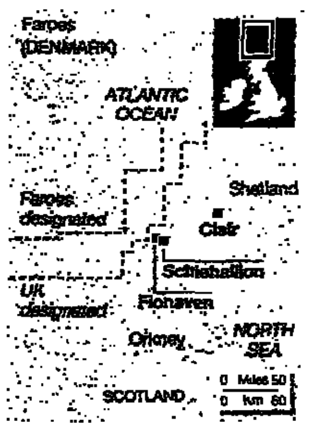
■ Sweden's current account in November showed a surplus of SKr900m (£76m), compared to SKr2.0bn the month before and a SKr2.3bn deficit in November 1993.

■ Portuguese unemployment rose to 7.1 per cent in the fourth quarter of 1994 from 6.8 per cent in the third quarter, and from 6.2 per cent in the fourth quarter of 1993.

طبقاً عن الأصل

Denmark resists British claim on oilfield

By Hilary Barnes in Copenhagen and Robert Corzine in London



Denmark will not be bullied by "the British lion" into giving up oil and gas exploration rights in a disputed area of the North Atlantic between the Shetland Island and the Faroes, Mr Poul Nyrup Rasmussen, the Danish prime minister, has warned.

"We shall stand firm" against the British demands, he said in a pre-dinner speech at the annual dinner of the Foreign Press Association in Copenhagen. "We are fully behind the Faroe Islands on this and will not give in," he said.

The tough talk came as a surprise to diplomats involved in the negotiations between Denmark and the Faroe Islands, a mainly self-governing Danish province, and the British government.

Mr Anthony Layden, deputy head of mission at the British embassy in Copenhagen, said: "Negotiations are taking place on this issue at meetings between legal and other experts. Progress in being made. The British government aims to reach a negotiated settlement," he added.

It is understood that the two sides have expressed willingness to be flexible in the negotiations. But Mr Nyrup Rasmussen was not optimistic.

He told the Financial Times that he thinks there is a strong chance that the issue will have to be resolved through the International Court of Justice in The Hague.

The potential importance of the area to both Britain and the Faroe Islands, which have a population of about 43,000, has been highlighted by recent discoveries in the area west of the Shetland Islands.

British Petroleum, for example, discovered the Foinhaven and Schiehallion oil fields about 11 miles from the present boundary between the British and Faroes' economic zones.

The Foinaven field has already been given the go-ahead for the first phase of its development. Other recent discoveries have caused excitement among government ministers and oil companies operating in the UK. Late last year the British government asked oil companies with exploration acreage in the area to accelerate seismic and drilling programmes this year to determine the extent of the possible reserves. Some estimates suggest there may be as many 3.5bn barrels of oil in place.

Natwest Wood Mackenzie, Consultants in Edinburgh, recently warned, however, that failure to reach agreement on the demarcation of the UK and Faroese sectors could delay the drilling of wells close to international waters.

Britain and the Faroes have each agreed on fishing boundaries, which each claims are equi-distant from the respective coastlines.

However, agreement on sub-sea mineral resources remains elusive.

Britain argues that the median line drawn up by the Faroe Islands does not take proper account of uninhabited islands off the coast of Scotland. It wants the median line to run closer to the Faroe Islands.

The UK finds support for this argument in the 1993 judgment by the Hague International Court concerning the line of division between Greenland (which is also a Danish possession) and Jan Mayen, which is Norwegian.

When negotiations on the boundary began in 1991, Mr Uffe Ellemann-Jensen, the then Danish foreign minister, declared the British claim to be totally unacceptable, saying that the boundary claimed by Britain goes so close to the southern-most of the Faroe Islands that the Faroese would be able to spit into British waters.

The Faroe Islands are entirely dependent on fisheries, which collapsed at the beginning of this decade, causing an extremely serious economic crisis.

The islanders are now pinning their hopes on oil and natural gas.

Swiss seek EU deals

Frosty Brussels sits down again with coy Berne, writes Ian Rodger

Swiss and European Union diplomats began bilateral talks last week on a series of sensitive economic and political issues, especially the freedom of movement of people. But, as so often in the past, the biggest concern is the willingness of the Swiss people to endorse any agreements reached.

In recent years, the Swiss have rejected their government's proposals to join the United Nations and the European Economic Area (EEA) and to supply UN peacekeeping forces.

The prospects for an EU-Swiss rapprochement this time look so uncertain that Swissair, the airline whose access to EU markets is another of the main issues, is trying to solve its problem independently through buying a stake in an EU-based airline, Belgium's Sabena.

The talks became necessary after the Swiss rejected the EEA two years ago. In the aftermath of that referendum, Switzerland found itself facing growing discrimination throughout western Europe.

For example, Swiss researchers were removed from EU project steering committees and Swiss companies were obliged to pitch their bids 3 per cent lower than EEA competitors for EEA public sector contracts – and the goods had to have at least 50 per cent EEA content.

The Swiss government set out to negotiate better arrangements bilaterally with the EU, but Brussels reacted frostily. Switzerland could not hope to win bilaterally the same advantages it would have achieved through the EEA.

Last month, the Commission finally agreed to discuss three of 16 issues raised by the Swiss – research, technical trade barriers and public sector procurement – and added two of its own, agriculture and the free movement of people.

The start of talks on the most important sector for the Swiss, transport, was postponed until March. This was punishment for the result of yet another Swiss referendum last February when a majority voted to ban all transit lorries from the Alps, starting in 2004.

The embarrassed Swiss government proposed measures to make sure the effect would not be to discriminate against EU truckers or divert trans-alpine traffic to Austria and France. But it took some time to convince the EU's transport council that they would work.

As it happens, the transport issues should be among the easiest to settle as each side has clear goals. The EU wants efficient and cost-effective transit routes through the Alps, and the Swiss have on their own initiative launched a multi-billion-dollar project to build two high-speed rail tunnels through their mountains.

> The biggest concern facing negotiators is the willingness of the Swiss people to endorse any agreements

On research, it looks as if Switzerland will have to contribute more money to EU projects to regain seats on steering committees for its researchers.

The Swiss do not expect much fuss over mutual recognition of product testing and other technical trade issues, or over public procurement. And they indicate a readiness to open their tightly protected food market.

The toughest issue will be freedom of movement of people. The EU is basically demanding the extension of its internal regime to Switzerland, thus enabling nationals of both sides to live, study and work in the other's territory without hindrance.

The prospect of even more foreigners entering Switzerland – about a fifth of residents are non-Swiss – was one of the main reasons a majority voted against the EEA two years ago. And Mr Christoph Blocher, the populist anti-EU politician, has put Berne on notice that he will demand a referendum if it concedes too much in the bilateral talks.

Paris students score victory with peaceful re-run of 1968

By Andrew Jack in Paris

Students of the 1990s can make peaceful protest count by alluding to violent unrest of earlier years

The issue may be more self-serving and the symbolism more commercial, but the strike last week by students at "Science Po", the prestigious political science college in Paris, shows that the tactics at least of 1968 linger on with powerful effect.

The *Institut des Etudes Politiques* experienced the most potent and effective direct action since the uprising of May 1968 when students went on strike last Monday. This time the protests were shorter and non-violent, but probably more effective as college administrators went into retreat on controversial new funding policies. The protest was against a threat to introduce loans in place of bursaries for those from lower-income backgrounds.

Their demonstration revealed much about the continuing tensions between students and academics in France, as well as about the broader difficulties in the funding of further education within the country.

In 1968 students at Science Po showed their solidarity with others during the insurrection gripping France. They took to the streets and boycotted their classes as calls for social reform took the place of concern about education. They occupied the college's main lecture theatre and renamed it in honour of the heroes of the era: Ché Guevara and Rosa Luxembourg, the socialist revolutionary murdered in Berlin in 1919.

This time around, a campaign begun in December reached a climax last week, with an occupation of the same lecture theatre for four days and three nights.

Respecting the tradition of their forebears, the students renamed the hall. But reflecting their immersion in the media culture of the 1990s, the new name was Farinelli, a reference to a castrated 18th century Italian singer who is the subject of a recently released film. Their point was that while Farinelli was deprived of anatomical attributes at an early age, the proposed plan by the college administration would snip away at the financial aid long considered a right by students.

Partly in an effort to deal with an accumulated financial deficit of FFr3.8m ($730m) hanging over from 1993, Science Po proposed to replace the grants it provides to students on low incomes with interest-free loans repayable once students began their working life.

Science Po enjoys a peculiar legal status, but broadly fits within the state education system, with 70 per cent of its funding coming from government. It charges a nominal annual tuition fee to students of FFr5,000, offset for some by means-tested bursaries.

In practice, about a quarter of the 4,000 students at the college do not pay the fee on financial grounds, or for reasons such as the fact that one of their parents teaches at the institution. About 180 of the students receive government grants.

Science Po's funds other grants from its own resources. It was these grants – regarded as a sacred right by the students – that the administrators wanted to replace with loans.

The Science Po dispute seems far removed from the circumstances of many other students in France. For those at the private universities – including the prestigious schools of commerce, such as the school of *Hautes Etudes Commerciales* in Paris – the annual fees can run to FFr50,000 or more.

With no nationwide or state-supported system of loans, many have had to rely on special packages put together by individual banks keen to lure students who are likely to be high income-earners and therefore profitable clients in the future.

Those students above the threshold for state grants receive no financial help from the government. They have no grant for accommodation or food, for example, and there is little housing maintained by the colleges. As a result, many study in their home town and live with their families. Nevertheless, protests by some 1,000 students at Science Po, which brought classes to a halt, was sufficient to cause the administration to cave in.

"I have the right to call in the police, but it is not part of the ethic of the university," said Mr Alain Lancelot, a professor of political behaviour who is the director of the college.

He said that the substantial weight of student opinion and the strength of their arguments were enough to persuade him to agree to cancel the loans proposal and set up a committee to report by June on a longer-term solution to overhaul the college's grant system.

More broadly, the Association of French Bankers is working on proposals to be submitted to the government that would provide tax incentives and low interest rates for those saving for educational purposes.

In the meantime, the revival of even the most peaceful tactics used in 1968 seems to have been enough to counter the commercial revolution of the 1990s.

Chance for Clinton to revive presidency

By Jurek Martin, US Editor, in Washington

Just about every cliché in the book is being applied in advance to President Bill Clinton's state of the union message, due tonight. On this occasion, most of them are appropriate, including the view that it may be the most important speech he has ever given.

His task appears to be nothing less than to redefine and reinvigorate his presidency and, if possible, his Democratic party, while giving the US a persuasive alternative vision to the conservative doctrines on offer from the Republican majority in Congress.

White House officials claim that the president is very much "up" for the moment, in contrast to the passivity which seemed to engulf him last November after the Republican landslide in the Congressional elections. But they concede that he must make the most of his platform tonight.

Mr Clinton has been consulting a remarkable cross-section of opinion, including historians and scholars and, more controversially, some "self-improvement" gurus better known for the advice they give to aspiring business executives.

His purpose, aides say, is to start "a dialogue with the American people about where the country should be going", a phrase Mr Clinton himself used at the weekend in a speech to the Democratic national committee.

There is risk in this approach. President Jimmy Carter's notorious television address in mid-summer 1979, when he lamented the spiritual "malaise" afflicting the country, is now generally seen as marking the start of his political slide.

Mr Clinton has talked reflectively of late in a similar vein. But his voracious reading of history should lead him away from the sort of introspection considered inappropriate for a the state of the union message. Instead, he is likely to emphasise that, whatever its excesses and faults, government still has a large role to play in shaping the country's future, so long as it complemented by more active public participation in civic life.

While expected to eschew a "laundry list" of proposals, he may use the occasion to warn that he would veto congressional attempts to undo legislation he considers important.

Among the sacrosanct he may proclaim his national service corps, recently condemned by Mr Newt Gingrich, Speaker of the House of Representatives, as enforced volunteerism, and the ban on assault weapons in the crime bill of last year which some conservative Republicans want to repeal.

The president cannot veto constitutional amendments, of which that on the balanced budget is closest to action by Congress. But Mr Clinton may highlight the importance of progressive deficit reduction.

On foreign policy, he is likely to state his opposition to Senator Robert Dole's bill to lift unilaterally the Bosnian arms embargo on May 1. Other proposals from the Senate majority leader, which would eviscerate US participation in UN peacekeeping, may also come under fire.

But mostly Mr Clinton will need to reclaim his "bully pulpit" seat at the policy table that the new and aggressive Republican majority has often seemed to want to deny him.

The president will doubtless promise co-operation where the potential for agreement exists but will also need, as the cliché runs, to draw some lines in the sand.

An American dynasty thriving yet

Jurek Martin marks the death of Rose Kennedy with an assessment of the clan

American political history is scattered with dynastic families. Some have enjoyed national power – Adams, Rockefeller, Roosevelt; some have held sway over local bases, like the Fishes of New York, the Browns of California, the Daleys and Stevensons of Illinois.

But the death on Sunday, at the age of 104, of Rose Kennedy, the family matriarch, serves to remind that, in the second half of the 20th century, no name has been more associated with US public life and the cause of liberalism than that of Kennedy.

A devout Roman Catholic, Rose bore nine children, four sons and five daughters. They gave her 30 grandchildren, 28 of whom are still alive, and 41 great-grandchildren.

Her eldest son, Joe Jr, was killed in the second world war, but the other three – John, Robert and Edward – all served in the US Senate. All ran for the presidency and JFK was elected to that office in 1960. Robert might well have won in 1968 but was assassinated on the night of his victory in the Democratic party's California primary. Edward has represented Massachusetts in the Senate since 1962.

One daughter, Rosemary, was retarded and lives in seclusion. Kathleen, the eldest, was killed in a European air crash in 1948. But Rose's other three have all been in the public eye: Eunice married Sargent Shriver, the Democratic vice-presidential candidate in 1972; Jean Kennedy Smith is US ambassador in Dublin; Patricia married Peter Lawford, the Hollywood actor.

Four in a clan: Matriarch Rose, Senator Bobby, President Jack and Congressman Joseph Kennedy

The succeeding generations have not let the torch drop. Joseph Kennedy, son of Robert, has been a congressman from Massachusetts since 1986, and Patrick, son of Edward, was elected to the House of Representatives from Rhode Island last November. The three Kennedys now in Congress set a record for single family representation to equal that of the Washburns (of Maine, Illinois and Wisconsin) in the 1850s.

Kathleen Kennedy Townsend, daughter of Robert, was last week inaugurated as lieutenant-governor of Maryland. Mark Shriver, son of Eunice, was elected in November to the Maryland house of delegates.

Barney Frank, a congressman from Massachusetts and a family friend, wittily told the New York Times last year: "I suppose they aren't too overly represented in politics, in purely statistical terms."

There is little doubt that the impulse into public life derived from Rose's husband, Joe Kennedy Sr, first head of the Securities and Exchange Commission under President Franklin Roosevelt and later a controversial ambassador in London in the early war years when he was suspected of pro-Nazi sympathies. His hopes had been heavily vested in the oldest son, Joe, and were then re-directed to the three surviving sons.

Rose Kennedy herself was born into public service, in 1890, as the daughter of John Francis Fitzgerald, the legendary Boston-Irish politician known as "Honey Fitz". He never liked Joe Kennedy, a son of a saloonkeeper, but Rose said she would marry him with or without parental approval.

Her role as a political matriarch was always discreet, but her offspring have repeatedly said that she was the glue that held them all together. A recently published family memoir paid tribute to "the finest teacher we ever had".

Her devout Catholic faith was imparted to her children, though not always observed by them. Taking more after their father, both John and Edward were notorious for philandering. Edward's divorce and recent remarriage could not have pleased her.

The faith also sustained her through tragedies – three sons and a daughter cut off in their prime, two by assassination. More recently, Jacqueline Kennedy Onassis died, one grandchild expired from an apparent narcotics overdose while another, Stephen Smith, was only acquitted of forcible rape after a humiliating trial.

How much she knew of the latest tribulations is unclear, for she was rarely seen in public in her final years. But she had been active in good causes, notably mental health fund-raising, when well into her 80s. Her legacy, however, rests with her family's contributions to public life – and there may still be much to come.

Mexican oil revenues to be used as loan collateral

By Leslie Crawford and Ted Bardacke in Mexico City

Mr Guillermo Ortiz, Mexican finance minister, yesterday told Congress in Mexico City that the country's oil revenues will be used as collateral for any US loan guarantees provided to help Mexico out of its liquidity crisis.

Mr Ortiz faces a storm of nationalist indignation over the growing number of conditions US politicians are seeking in exchange for the \$40bn (£25bn) loan guarantee package being considered.

He tried to reassure parliamentarians that the use of oil revenues did not imply a loss of national sovereignty: "This method of payment ... does not compromise our national sovereignty, nor does it grant anyone any rights over our oil resources, over Pemex [the national oil company], or our policies regarding oil prices and sales."

The oil guarantees were necessary to let Mexico issue longer-term debt, at lower interest rates, as a substitute for some \$29bn of *tesobonos* (dollar-linked treasury bills) which mature this year, he said. He reminded Congress that international confidence in Mexico's financial markets would not be restored until the US aid package, the subject of heated congressional debate in Washington, were forthcoming.

He urged the Mexican Congress to approve amendments, proposed this month, to the 1995 budget, which aims to cut government spending by 1.3 per cent of GDP as part of an austerity plan to restore investor confidence.

However, Mr Ortiz's speech included no new measures to address the continuing volatility in Mexico's currency and financial markets.

Worries that Mexico might be putting too much faith in the US package meant that, in Mexico City at midday, the peso was trading at 5.725 to the dollar, down from 5.605 at Friday's close, and the main IPC index of the Mexican stock market was down 2.69 per cent.

'Ailing banks are out'

David Pilling assesses Argentina's banking system

The president of Argentina's central bank recoils at the suggestion he might authorise a bail-out of struggling banks, some of which have been tipped into difficulties as a result of the Mexican crisis.

"There is no chance of setting up a hospital for banks," Mr Roque Fernández says. "In Argentina, what we have are either healthy banks or the morgue: there are no sick banks."

Rumours circulate, however, that as many as 30 banks, hit by tight liquidity and the Mexican-provoked fall in the value of their security holdings, may be struggling to meet obligations.

Already three institutions, suspended from trading for 30 days, are battling to save themselves from Mr Fernández's morgue.

"Without doubt there are banks with problems, but how many it is hard to say," says Mr Luis Secco, an analyst at Broda economic consultancy. He says Argentina's limited deposits cannot sustain the current network of more than 160 institutions.

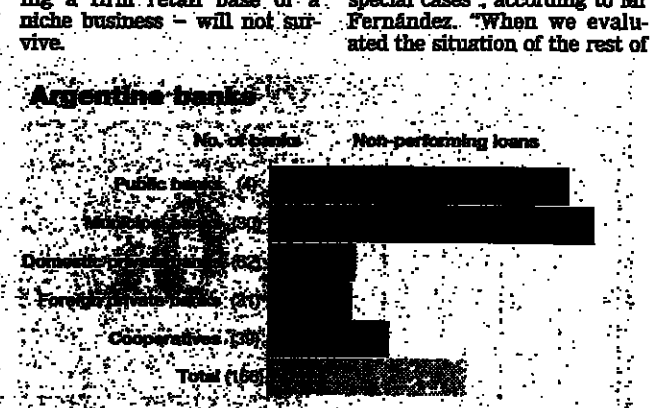
The first banks to suffer were small wholesale institutions specialising in trading treasury bonds, using interbank "call" money. When bonds plummeted and short term interest rates tripled, to nearly 30 per cent, these banks were left highly exposed.

Pressure spread to small retail institutions with limited branch networks, as confidence waned and depositors shifted their accounts to better known banks or removed their cash from the system altogether.

Some analysts believe that Mexican shockwaves will hasten the demise of weak institutions already facing extinction. "Everybody knows the banking sector has to contract because there are just too many banks," says Mr Nicolas Grose-Hodge, chief manager at Lloyds Bank Argentina. "The Mexican crisis may have acted as a catalyst to speed this process up."

Indeed, the focus of many investors has now shifted from fears of devaluation to concerns over the banking sector. A recent report from JP Morgan says: "The most important risk Argentina faces lies in the capacity of its financial system to withstand a potential outflow of capital."

Argentina's banking system, still emerging from the hyper-inflationary days of the late 1980s when "banking wasn't banking as we know it", has been restructuring since economic recovery began in 1991, says Mr Grose-Hodge. Those banks that have not adjusted – by cutting costs and developing a firm retail base or a niche business – will not survive.



Source: Central Bank, Salomon Brothers, Banco de Galicia

Measures taken by the central bank in response to what Mr Fernández calls a "transitory liquidity crisis" may finish off some institutions. Last week, the Bank set up a \$1bn "liquidity fund" and relaxed reserve requirements. The larger banks have used the cash injected to buy up the portfolios of their smaller, struggling counterparts.

Although portfolio purchases tend to be small (below \$1m), together they represent a strong shift in favour of the dominant banks. The biggest 20 already marshal 75 per cent of deposits.

The central bank denies it is provoking a contraction of the system, but as big institutions buy up the "juicy assets", the likelihood is that some smaller banks will fold under the burden of their weakened portfolios. "If a small bank is reduced to getting rid of all its best assets then clearly it is on the write-off list," says Mr Grose-Hodge.

The amount of non-performing loans (NPLs) in Argentina's financial system, although distorted by the "ghastly" portfolios of some public banks, is already high by international standards.

But, as defenders of Argentina's system point out, the central bank has taken firm steps recently to tighten regulations governing NPL provisions, reserve requirements, capital adequacy and risk-weighting of assets. Often these regulations are stricter than international norms.

Extrader and Finansur, two of the institutions suspended earlier this month, were "very special cases", according to Mr Fernández. "When we evaluated the situation of the rest of the financial entities, we found that the level of solvency in the whole system was very adequate, in fact over capitalised."

Mr Grose-Hodge agrees that, given the enormous pressures unleashed by Mexico's crisis, "the Argentine banking system has proved itself to be remarkably resilient." Already interest rates have returned to normal and liquidity has eased.

Mr Secco, while acknowledging the central bank's "tremendous efforts" to tighten banking regulations, believes that the system remains vulnerable

So far, Mr Secco detects what he calls "an incipient fall in deposits but nothing that has reached crisis levels yet". He says withdrawals may be due to seasonal factors, notably summer vacations. He also says that Argentina's bimonetary system – in which pesos are freely convertible and where half of all bank deposits are dollar-denominated – cuts down the risk of capital flight.

Mr Secco says that if confidence remains in the system, then there will be a "relatively orderly process" of bank mergers and acquisitions. But if this is compounded by high levels of capital flight, the process will be "far more traumatic".

PLO vows to act against extremists

By Julian Ozanne in Jerusalem

The Palestine Liberation Organisation, seeking to save the Middle East peace process from collapse, vowed tough action yesterday against Islamic extremists linked with Sunday's suicide bombing which killed 19 Israelis.

But as Israel buried the victims of the bomb blast there were growing calls inside the country for a complete suspension of the peace process and formation of a government of national unity.

Israeli prime minister Yitzhak Rabin, facing collapsing support for his peace policy in the country and internal dissension inside his government, prepared to make a state of the nation address last night.

Israel's index of blue-chip shares dipped 1.5 per cent yesterday, the second day of falling share prices, reflecting continuing investor concern about the economic effects from falling hopes of Arab-Israeli peace.

The PLO maintained a stony silence on the government's punitive measures announced late on Sunday which included freezing parts of the negotiations and sealing off the West Bank and Gaza Strip from Israel. Mr Nabil Shaath, senior PLO negotiator, said the Palestinian self-rule authority would step up the campaign against Islamic extremists and would not release suspects after two or three days as in the past.

The Islamic Jihad which opposes peace with Israel as a sell-out of Palestinian rights, claimed responsibility for the bombing and said two of its members from PLO-ruled Gaza carried out the attack.

Thousands of Israelis attended funerals which began yesterday to bury the 19 bomb victims and demonstrators kept a vigil at the blast site.

Newspapers, even those normally supportive of the peace process, latched on to the unprecedented call by President Ezer Weizman on Sunday to suspend the peace process and create a bi-partisan consensus on future policy. The president held talks throughout yesterday with right-wing opposition politicians seeking the creation of a national unity government. In an editorial, the right-wing Jerusalem Post said President Weizman's call was "a measure of his sensitivity to the public mood and the gravity of the hour".

Even among dovish ministers in the cabinet there appeared to be a hardening of attitudes to Mr Yassir Arafat, the PLO leader. Mr Yossi Beilin, deputy foreign minister and one of the staunchest supporters of the peace agreement, said: "I think our duty is to ensure that Arafat understands that he can't make do with small quantities of treatment [against Palestinian extremists] and that he must do something more serious even if that means a strong conflict with his brothers."

But Mr Shimon Peres, the foreign minister who is the strongest defender of the peace process, said the government should not be swayed by changing moods on a daily basis from its commitment to peace. "There are insane people and extremists who want to destroy everything...We cannot let them prevail."

See feature: Terror takes its toll

Angola peace move corners Savimbi

The Unita leader is finding himself isolated, writes Nicholas Shaxson

Inside a crumbling Roman Catholic church in Angola's central highlands town of Chipipa, the chiefs of staff of Angola's government and rebel Unita forces embraced stiffly and promised that their soldiers would stop fighting.

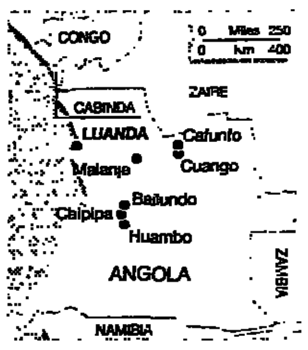
"We are here to consolidate the ceasefire," said Unita general Arlindo Chenda Pena, known as "Ben Ben". The joint declaration issued by Ben Ben and his government counterpart, General João de Matos, three weeks ago was the second promise in two months that hostilities in 19 years of civil war would end.

A peace agreement was signed on November 20 in the Zambian capital of Lusaka but United Nations observers have reported isolated fighting in various parts of the country.

Unita leader Jonas Savimbi has said in newspaper and television interviews and in a speech carried on Unita radio that he has "great reservations" about the Lusaka agreement, describing it as "ephemeral".

"I am not obliged to follow the wrong path when my conscience tells me that the path is wrong."

However, he appears to be out of step with the spirit of reconciliation apparent in Chipipa and with the activities of a joint government and Unita commission which has started its plodding work in Luanda preparing the ground for demobilisation and the eventual creation of unified Angolan armed forces.



Mr Savimbi has warned that his forces are not prepared to accept demobilisation. The UN could not control the Luanda government which, he said, wanted to kill him and to destroy Unita.

His words have frightened many Angolans who remember clearly an accord of 1991, the culmination of a wider regional process which linked the departure of 50,000 Cuban troops with the withdrawal of South African forces from, and independence for, Angola's southern neighbour, Namibia.

That collapsed when Mr Savimbi rejected defeat in UN-sponsored elections in late 1992 and took his guerrillas back to the bush. His forces held hidden weapons stockpiles and his clear military superiority at the time enabled him rapidly to capture large swathes of territory from the disproportionately demobilised government forces.

But even then his fortunes were starting to change as old cold war friends adjusted their priorities. South Africa, which in the 1980s intermittently invaded Angola in his support, is now ruled by a traditional ally of the ruling MPLA. The US, which supported Mr Savimbi's war against the then-Marxist Luanda government with an estimated $250m (£160m) worth of military aid between 1986 and 1991, ended that backing.

After its post-election military defeats, the government patiently began to reorganise and to re-arm, using oil exports worth an estimated $3.2bn last year, and by mid-1994 it was retaking territory with the help of freshly-trained Angolan counter-insurgency commandos backed up by about 500 foreign mercenaries.

Unita's central highlands stronghold of Huambo fell to the government just before the latest ceasefire.

More isolated than ever in his new headquarters in the small central town of Bailundo, Mr Savimbi is weak; his power to influence events has dwindled. "Unita is going through the worst crisis since it was created," he said in an interview with the French newspaper, Liberation, in December.

Should Unita pull out of the process (and in the past year of city sieges and cluster-bombings, the movement's leaders have been offered every excuse to do so), the government could retake yet more territory. Priorities would be the strategic air base at the northern town of Negage or more of the diamond-producing area around the town of Cafunfo, in the north-east.

The government, however, knows that despite its military advantage it will never be able to inflict a complete military defeat on Unita. Mr Savimbi's movement still has about 50,000 men under arms and could continue to fight a guerrilla war from its bush bases, drawing funds from the diamond-rich lands still under its control.

Resurgence of the war after the peace of 1992 reduced total diamond production to about $200m in 1994, mostly from areas under Unita control.

Mr Savimbi's strategy appears to be to delay the implementation of, but not to overturn, the peace agreement. Sources inside the joint commission speak of "almost no progress" since work started after Lusaka. By delaying the process his troops stay armed but the battle lines remain frozen by the ceasefire.

The UN has asked for signs of progress before deciding whether to expand its mission, which by the end of the month should be at its full strength of 350 military and 126 police observers, to include the 7,000 peacekeeping troops agreed to in Lusaka.

Its special representative in Angola, Mr Alioune Blondin Beye, has been told he needs to report that the ceasefire is holding before the Security Council, whose next meeting on Angola is on February 8, will approve the expansion.

Mr Savimbi's failure to turn up for the signing of the Lusaka agreement aroused fresh cynicism within the international community and among ordinary Angolans, who wish to see a meeting between Mr Savimbi and President Jose Eduardo dos Santos as a sign of their willingness to tackle the deep mistrust felt by both sides.

Although no date for such a meeting has been set, President dos Santos has agreed to it in principle and Mr Savimbi said in an interview on Portuguese television two weeks ago that he might be prepared to go to Luanda. "It is better for me to go to Luanda because then [Mr dos Santos] is responsible for me," he said. "Let them kill me in Luanda."

Kazakhs, Russia 'in move to union'

By Chrystia Freeland in Moscow

Russia and Kazakhstan are moving closer towards the creation of a "Euro-Asian Union", Mr Nursultan Nazarbayev, president of Kazakhstan, said yesterday.

Agreements on military co-operation, a customs union and currency convertibility, reached at a summit meeting in Moscow last week, were a sign of closer integration among some members of the former Soviet Union. "All these are based on my idea for a Euro-Asian Union," Mr Nazarbayev said yesterday.

The agreements between Alma Ata and Moscow, particularly the decision to move towards combining the armed forces of the two countries later this year, are signs that on Russia's eastern flank re-integrationist tendencies are reasserting themselves.

One crucial player in Mr Nazarbayev's envisioned "Euro-Asian Union" remains sceptical of closer relations with Russia. Ukraine, the second most populous republic in the former Soviet Union, continues to oppose Mr Nazarbayev's drive for reunion.

The war in Chechnya, in which Moscow alleges Ukrainian nationalist volunteers are fighting alongside the Chechens, has exacerbated diplomatic tensions between the two big Slav states.

By contrast, Kazakhstan and Russia are moving to closer co-operation economically and militarily. Last week, the two former Soviet republics announced a plan, with Oman, to build a new pipeline from the Caspian Sea to Russian ports on the Black Sea.

The deal was a victory for Russia, determined to retain a strong voice in exploiting the oil and gas reserves of the Caspian region, even though much of the territory is no longer ruled from Moscow. It also signalled Kazakhstan's pragmatic realisation that, without significant Russian participation, such projects are unlikely to go ahead.

INTERNATIONAL NEWS DIGEST

US-Egypt talks focus on N-arms

Mr Robert Pelletreau, US assistant secretary of state, met President Hosni Mubarak of Egypt yesterday to discuss Middle East peace and ways to ease tension between Egypt and Israel over the Nuclear Non-Proliferation Treaty. Egyptian officials said Mr Pelletreau would try to persuade Egypt to sign the treaty and end a crisis that has soured Cairo's relations with Israel. Egypt insists it will not sign an extension of the treaty when it comes up in April in Geneva unless Israel, widely believed to possess nuclear warheads, does so. Israel said it would not sign as long as it faces potential danger from Syria, Iraq and Iran. Mr Mubarak has repeatedly said that signing the treaty without Israel, as Cairo did before, would be "an unacceptable matter on the popular level".

Mr Pelletreau and Mr Mubarak are also expected to discuss the Egyptian leader's forthcoming visit to Washington in the spring during which he would try to rally support in Congress to maintain the annual $2bn (£1.2bn) US aid to Cairo since it signed a peace treaty with Israel in 1979. *Reuter, Cairo*

Iraq issues new banknote

Iraq, which is grappling with hyper-inflation, is issuing a 250 dinar banknote to ease cash transaction. Official media on Monday published a decree from President Saddam Hussein authorising the central bank to issue the bill, the highest-denomination note ever printed in Iraq. It joins the widely used 100 and 25 dinar notes. Before UN sanctions ravaged the Iraqi economy 250 dinars were worth $800 as the oil-backed currency then fetched $3.2 at the official rate. The sanctions, imposed for Iraq's 1990 invasion of Kuwait, bar Iraqi exports including oil. After runaway inflation the new 250 banknote is barely worth 50 US cents. *Reuter, Baghdad*

World airport traffic increases

World airports yesterday reported booming cargo and climbing passenger traffic over the first 10 months of 1994 although passengers passing through Asian and African terminals during the year were down on 1993. The Geneva-based Airports Council International (ACI) said October figures showed overall passenger traffic was up 7 per cent and cargo 12 per cent, while aircraft movements climbed by 5 per cent, compared with the same month in 1993. For the period January to the end of October, passenger traffic was up 8 per cent, cargo volume by 13 per cent and aircraft movements by 3 per cent, based on returns from 377 leading airports.

ACI said Europe saw the highest regional passenger growth in October with an increase of 9 per cent, closely followed by North America, where 7 per cent more people passed through airports. In the Pacific area, passenger traffic as compared with October 1993 was up six per cent, and in Latin America and the Caribbean by 2 per cent. In contrast, Asia returned a decline of 6.7 per cent and Africa of 4.2 per cent. However, Africa recorded the biggest increase of all six AIC regions in cargo traffic with a climb of 21.3 per cent. *Reuter, Geneva*

China and Sudan sign accords

Sudan and China have signed agreements to set up five factories in Sudan, the official Sudan News Agency said yesterday. Cost or financial terms were not revealed. The agency said contracts for a textile mill, a drugs plant, a packaging factory and a sportswear enterprise had been signed between Sudanese private companies and Chinese groups as part of a continuing meeting of the Sino-Sudanese Economic Committee. Representatives of 55 Chinese companies are taking part in the joint economic committee. *Reuter, Khartoum*

NEWS: ASIA-PACIFIC

ASIA-PACIFIC NEWS DIGEST

Seoul economy 'to grow 7.3%'

The South Korean economy is expected to grow 7.3 per cent this year after gross national product posted a growth of 8.3 per cent in 1994, the central bank announced yesterday. Last year's growth reflected a 17 per cent rise in exports, which benefited from a weak Korean currency, and a resulting 20 per cent increase in capital investments to meet overseas demand. Private consumption grew 7.5 per cent.

The government, concerned about increased inflation due to the overheated economy, is expected to slow growth this year by tightening monetary control and restricting loans. Inflation is predicted to reach 6 per cent, following a 5.6 per cent increase in 1994. Consumer spending and expanded construction will be the main factors behind economic growth this year.

The current account fell into a deficit of $4.5bn (£2.8bn) last year, against a surplus of $380m in 1993, as Korea increased imports of machinery and industrial components to expand production. The central bank predicts the deficit will widen to $6bn in 1995. *John Burton, Seoul*

■ South Korea's main commercial banks plan to base their interest rates for overdrafts on daily movements of short-term money market rates, a change from the present system under which they are practically fixed. Bank officials said disparities had often encouraged companies to seek profits by withdrawing money from banks through an overdraft, to lend it in short-term money markets. *Reuter, Seoul*

Bangkok push to sue ex-leaders

Organisers of the pro-democracy rallies in Bangkok in 1992 are raising funds to sue Thailand's disgraced military leaders whose troops killed more than 50 people in their attempt to hang on to power. An organisation representing relatives of the dead and missing reckons that Bt500,000 (£12,886) is needed before the first court hearing on February 3.

Earlier attempts to take legal action against the members of the junta, that had foisted the unelected General Suchinda Kraprayoon into the premiership in 1992, have been rejected by the appeals court which said the defendants were protected by a controversial amnesty. The appeal has received about Bt200,000 from Mr Chamlong Srimuang, leader of the Palang Dharma (Buddhist Force) party, currently a deputy prime minister, who played a pivotal role in the demonstrations. "Contributions from just 5,000 people could bring the truth to the surface," said Mr Adul Khiewboriboon, chairman of the Relatives of the May Heroes Group. *William Barnes, Bangkok*

Swedes in gift horse apology

General Ake Sagran, commander-in-chief of the Swedish army, arrived in Pakistan yesterday to express his regrets to General Abdul Waheed, Pakistan's army chief, over the killing by the Swedish authorities of three Pakistani horses sent to him by Gen Waheed as a gift. Sardar, Tez and Sher-dil were destroyed shortly after they arrived in Sweden in December. Under Swedish law, Asian animals have to undergo quarantine in another European country. Earlier arrangements with Estonia fell through when officials there refused to accept the animals on arrival. The horses were then shipped straight to Sweden rather than being returned home.

Many Pakistanis expressed outrage. "The pitiable event shows how ungracious and discourteous the Swedes can be, to look gift horses in the mouth and shoot them," said a letter published in a local newspaper yesterday. *Farhan Bokhari, Karachi*

■ Thailand's draft budget for the fiscal year starting in October will be submitted to the cabinet on February 2, a finance ministry official said. At Bt832.2bn (£21bn), it is a 16.4 per cent increase over 1995. *Reuter, Bangkok*

■ Hong Kong's broad consumer price index rose 8.9 per cent in December year-on-year, up from 8.6 per cent in November, the Census and Statistics Department said. *Reuter, Hong Kong*

■ Taiwan's unemployment rate rose to 1.56 per cent in 1994 from 1.45 per cent the previous year, the Bureau of Statistics said. In December the rate was 1.41 per cent. *Reuter, Taipei*

■ Singapore's consumer price index rose at an average monthly rate of 3.6 per cent year-on-year in 1994, compared with 2.4 per cent in 1993, the Department of Statistics said. *Reuter, Singapore*

■ India plans to build 12 airports and has begun upgrading facilities in New Delhi and Bombay to cope with increased demand, according to Mr Gulam Nabi Azad, civil aviation minister. *AFX, New Delhi*

China unveils long-range 85mm 'supergun'

By Tony Walker in Beijing and Bruce Clark in London

China yesterday puzzled western defence experts by unveiling a prototype of a 22-metre long "supergun" which could apparently be used against neighbouring countries. The People's Liberation Army daily newspaper published a photograph of what it said was an 85mm experimental gun without giving details of its range or application.

The indistinct photograph revealed a primitive-looking device mounted on a platform without wheels and sitting on the edge of a stretch of water. The prototype was covered with camouflage paint.

Defence attachés in Beijing were at a loss to explain why China should be experimenting with such a device at this stage, but they noted that it bore similarities to the "supergun" shipped to Iraq in the late 1980s, although much smaller.

Iraqi President Saddam Hussein's supergun, designed by Mr Gerald Bull, the Canadian ballistics expert who was assassinated in Belgium in 1990, was 52.2 metres long with a 350mm calibre. Mr Bull, whose death was widely blamed on the Israelis, spent time in China in the 1980s, and is known to have provided assistance in the development of long-range artillery systems.

"Our country's first super-long barrel cannon has been successfully made," the caption on the PLA photograph read. "This is our country's longest experimental cannon with a high initial velocity and low manoeuvrability."

Western attachés said there was no obvious target for such a device, but among countries that could be within range was South Korea. Taiwan would also be within reach.

The relatively small 85mm calibre of the experimental gun indicates that China has some way to go if it is bent on developing a device capable of hurling large artillery shells over long distances.

Mr Christopher Foss, editor of Jane's Armour and Artillery, said the 85mm calibre was puzzlingly low, and confirmed the impression that the model depicted was experimental. "This is not yet an operational weapon," he said.

Mr Gerald Segal, an expert on Chinese defence policy, said the new gun was a "strategic oddity" which was out of step with Beijing's recent emphasis on naval power projection.

He said in terms of range and accuracy, a supergun would not provide China with any more capacity than it already possessed through its arsenal of ground-to-ground missiles. It was possible, Mr Segal, said the weapon was designed mainly for export to the burgeoning international market for crude medium-range delivery systems.

Hong Kong divided by two masters' voices

China's 'loyalty' demand will be high on Patten's London agenda, writes **Simon Holberton**

When Hong Kong Governor Chris Patten arrives in London tomorrow on a three-day visit, China's latest demand concerning the colony's senior civil service will be high on the agenda in his ministerial meetings.

Britain and China would have to give the people of Hong Kong more concrete assurances about the future beyond 1997 if uncertainties about the colony's transfer of sovereignty were to be laid to rest, Governor Chris Patten said yesterday, writes Simon Holberton in Hong Kong. He called on China to reach agreement with Britain on the right of abode and travel documentation for Hong Kong citizens; the court of final appeal; the development of a container terminal; and the future of the civil service. The governor told the Foreign Correspondents' Club that doubts persisted about the future because both sides had not been able to deal as quickly with outstanding issues as the people of Hong Kong had hoped.

Last week Beijing sowed fear within the upper echelons of Hong Kong bureaucrats when it demanded that the British government pass over details of top civil servants' "integrity checking". It also wanted to know whether the officials have the right of abode in a foreign country, especially through Britain's own nationality scheme.

More than anything else Beijing needs the Hong Kong civil service if it is to pull off the "smooth" transfer of sovereignty in 1997 which it has always said it wants. Yet it has now measurably increased the probability of widespread resignations among brighter, more employable Chinese civil servants before the handover.

The Hong Kong government claimed that it destroys the information it collects to determine top officials' integrity for high office. Only the finding – pass or fail – is known to the civil service board when interviewing candidates for top jobs.

Britain's nationality scheme for Hong Kong was brought in after the June 1989 Tiananmen massacre. It provided for 50,000 families to receive British passports. Preference was given to those Chinese most closely associated with the colonial government; confidentiality was guaranteed.

As the South China Morning Post, the colony's leading English language daily, indicated last week, China's call for personal information about civil servants can be seen in a broader context. It "could be seen as a challenge to individuals who would otherwise remain untouched by the [Sino-British] row to come forward and prove their loyalty to one side or the other – a development which could cause personal anguish and bureaucratic instability," the paper said.

Strip away the conditionality from that observation, says Mr Michael Yahuda, a China specialist at the London School of Economics, and you have a pretty accurate description of life in Hong Kong today. "People are being forced to be either pro-Britain or pro-China – no one can be pro-Hong Kong any more," he says.

Mr Yahuda says this is particularly acute in the universities where no academic can be sure that something he wrote years ago will not be resurrected and used against him in the future.

A taste of what might come was given last week in a commentary by Mr Ching Hom in Wen Wei Po, a Beijing funded newspaper in Hong Kong. Taking Mr Patten to task for saying that people in the colony were worried about the prospects after 1997, Mr Ching said the only people concerned about the handover were a handful of pro-British, anti-China "elements" – they knew "their days were numbered".

Mr Yahuda believes that this polarisation of opinion in Hong Kong is the direct result of the "enormous silence in Sino-British relations" which was created by the row over political reform. He believes that the UK should, and can, make efforts to improve matters.

A planned visit to Britain by Mr Qian Qichen, China's foreign minister, might provide such an opportunity. But last week Mr Wang Guisheng, head of the Chinese foreign ministry's Hong Kong and Macao Affairs Office, said the refusal to hand over the civil servant data would not have a positive impact on Mr Qian's UK trip and proved it was not an appropriate time to schedule such a meeting.

Prof Joseph Chang of Hong Kong's City University, a prominent commentator on Sino-British relations, says: "Most of us no longer think in terms of optimism or pessimism because there is no expectation of improvement in relations in the next 900 days," adding that "It's a damage limitation operation now, patch up things as best you can."

Part of the damage limitation would be a change in style by Mr Patten, a politician who rises to the bait all too easily. His handling of the civil service row was illustrative of this. The governor started out in measured terms by calling for the issue to be discussed in private. But Mr Patten could not resist saying Chinese officials should avoid "short-tempered sound bites on television".

"The minimum [the governor] should do is avoid polemics," says Mr Chang. "He has to appreciate that Hong Kong people do not want to see another quarrel. He still retains his parliamentary [illegible] he likes to score points off the other side. This is not a useful approach. The governor must be seen to be trying to secure Sino-British co-operation. If he is not seen to be working hard for that then he will lose popularity."

There is anecdotal evidence that this loss of popularity is happening and Mr Patten risks being seen as part of the problem, rather than part of the solution. But his job of managing Britain's withdrawal from Hong Kong – which will soon call for the skills of the juggler as well as the tightrope walker – is not made easier by a change in economic circumstances.

It was easy for local people to ignore the Sino-British row as long as stock and property prices were rising. Now prices are falling and there is a general sense that the economy is slowing, the diplomatic logjam is weighing more heavily on morale.

Tokyo markets count costs of earthquake

By Gerard Baker in Tokyo

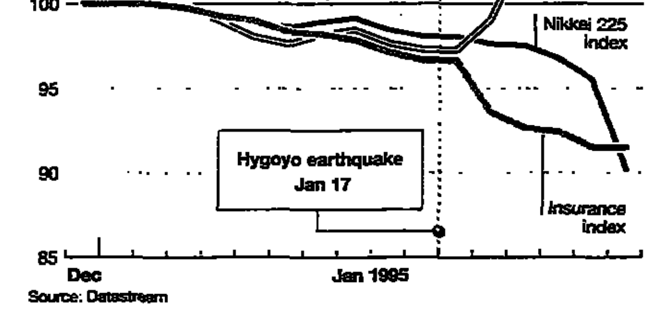
Japanese government officials yesterday expressed concern about the economic impact of the earthquake which devastated Kobe a week ago. As the death toll passed 5,000, Bank of Japan regional branch managers at their quarterly meeting in Tokyo said the quake might prove to be a significant minus factor for the economy for a long period.

Mr Tadao Homma, the Osaka branch manager and a director of the bank, said that "various forms of negative impact are inevitable".

The sharp fall yesterday in Tokyo equity prices – of 5.6 per cent – reflected a delayed reaction to the disaster, the worst for 70 years. Initial market reaction last week was calm, with most economists concluding that the overall stimulus to the economy from additional infrastructure investment might in fact be positive.

Tokyo stock market

(30/12/94=100)



Source: Datastream

But by yesterday it appeared that most investors had concluded the benefits were likely to prove very long-term, while the immediate estimated costs of reconstruction continue to escalate daily. Some analysts yesterday put the eventual cost at over Y5,000bn (£31.7bn), with estimates in some cases well beyond that. Mr Kosaku Inaba, head of the Japan Chamber of Commerce and Industry, was quoted as saying yesterday: "My estimate is that the quake inflicted damage worth more than Y40,000bn or some 10 per cent of Japan's gross national product."

The money for reconstruction will have to come principally from the government and the corporate sector, since very little of the damaged property was insured. The extra government spending is likely to push up long-term interest rates, as most will be raised in the bond market. The corporate sector's contribution will come from extra borrowing from banks and from liquidation of companies' own financial assets.

"The negative effect these factors will have on share prices was anticipated by foreign investors in the market today and they rushed to get out before everyone else does," said Mr Jason James, equity strategist at James Capel Pacific in Tokyo.

Investor confidence has also been hit by the earthquake, because the scale of the destruction has undermined Japanese confidence in the country's ability to withstand an even larger disaster. "Right now, the Japanese investor's and consumer's psyche is very cautious and the quake has really exacerbated that," said Mr Alan Livsey, equity strategist at Kleinwort Benson in Tokyo.

Plummeting share prices also reawakened fears about the strength of the financial system. Banks hold unrealised gains on their equity holdings as part of their capital base, and analysts expressed concern about the risk to banks' capital from further falls in the market.

The leading banks' capital ratios are not far above Bank for International Settlements-agreed guidelines, and if equities fall below 15,000 that margin will be uncomfortably close.

But some economists expect the government to assist the market by requiring public institutions to buy shares to prevent a further collapse. "The authorities will have to move in this year as they have in the past to prop up the market if they are to avoid serious problems," said Mr Neil Rogers, strategist at UBS in Tokyo.

Last night Mr Jiro Saito, vice-minister at the Ministry of Finance, said the government was watching the market very closely.

INTERNATIONAL ECONOMIC INDICATORS: **PRODUCTION AND EMPLOYMENT**

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

■ UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	91.2
1986	105.5	100.9	6.9	98.0	95.4
1987	108.4	106.0	6.1	105.5	96.5
1988	112.6	110.7	5.4	106.1	100.0
1989	115.6	112.4	5.2	99.3	98.8
1990	116.4	112.4	5.4	84.6	95.0
1991	114.0	110.5	6.6	62.2	99.8
1992	117.6	114.1	7.3	60.3	104.5
1993	123.8	118.8	6.7	65.7	110.2
1994		125.1			
1st qtr.1994	7.0	4.1	6.5	71.3	110.9
2nd qtr.1994	6.1	5.4	6.1	74.6	111.0
3rd qtr.1994	5.8	5.8	6.0	77.0	111.0
4th qtr.1994		5.9			
January 1994	4.4	3.7	6.6	66.8	110.5
February	7.0	3.9	6.4	73.0	110.6
March	9.7	4.7	6.5	74.3	110.9
April	6.7	4.8	6.4	73.5	111.3
May	5.6	5.6	6.0	76.5	111.3
June	5.8	5.9	5.9	74.0	111.0
July	5.0	5.6	6.1	77.0	111.3
August	6.0	6.2	6.1	74.9	111.3
September	6.5	5.7	5.8	79.0	111.0
October	6.5	6.0	5.7	85.6	110.5
November	7.3	5.8	5.5	83.5	110.6
December 1994		5.8			

■ JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	77.1
1986	106.6	99.7	2.8	94.3	84.3
1987	113.8	103.1	2.8	108.3	91.7
1988	122.6	113.1	2.5	135.9	97.1
1989	132.5	119.7	2.2	147.0	99.2
1990	141.7	124.5	2.1	149.8	96.7
1991	144.6	126.8	2.1	144.2	94.5
1992	139.9	119.0	2.1	124.2	93.8
1993	131.8	113.6	2.5	106.6	99.5
1994					
1st qtr.1994	−2.9	−3.0	2.8	101.7	102.7
2nd qtr.1994	−1.8	−1.1	2.8	102.9	104.1
3rd qtr.1994	−1.2	1.7	3.0	102.6	105.8
4th qtr.1994					
January 1994	−2.0	−2.7	2.7	97.0	100.4
February	−3.7	−4.3	2.9	97.7	101.4
March	−3.1	−2.1	2.8	110.7	102.7
April	−1.9	−2.0	2.8	99.5	103.4
May	−3.4	−1.8	2.8	103.8	103.5
June	−0.1	0.7	2.9	105.1	104.1
July	−0.2	−0.5	3.0	98.6	105.5
August	−2.1	3.6	3.0	106.9	105.9
September	−1.1	2.0	3.0	102.2	105.8
October		4.6	3.1	100.2	106.2
November		6.3	2.9	102.0	106.6
December 1994					

■ GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	89.7
1986	103.3	102.2	6.4	136.4	89.5
1987	107.4	102.6	6.2	149.4	90.3
1988	110.5	106.3	6.2	164.8	95.6
1989	114.2	111.4	5.6	218.7	98.0
1990	123.5	117.2	4.8	261.1	98.3
1991	130.5	120.8	4.2	270.7	95.8
1992	127.7	119.1	4.6	260.2	90.0
1993	122.7	110.8	6.1	198.5	96.0
1994				196.8	
1st qtr.1994	0.5	−0.0	6.8	194.3	98.7
2nd qtr.1994	−1.7	3.1	6.9	189.2	101.6
3rd qtr.1994	−2.3	3.7	6.9	193.4	103.2
4th qtr.1994				208.4	
January 1994	0.3	−1.8	6.7	190.1	96.7
February	0.7	1.0	6.8	196.8	97.6
March	0.6	0.7	6.9	195.9	98.7
April	−7.8	2.8	6.9	192.6	100.0
May	2.8	2.3	6.9	188.4	100.8
June	0.0	4.1	6.9	186.7	101.6
July	−3.0	6.4	6.9	190.1	102.1
August	−2.6	1.8	6.9	192.6	102.9
September	−1.4	3.1	6.9	198.4	103.2
October	−2.0	4.7	6.8	203.4	103.6
November	−3.5	5.5	6.8	208.4	104.3
December 1994				213.4	

■ FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.3	100.0	90.0
1986	102.4	101.1	10.4	107.0	96.3
1987	104.5	103.1	10.5	117.2	96.2
1988	107.9	107.3	10.0	135.3	100.9
1989	109.5	111.3	9.4	160.6	100.6
1990	110.3	112.9	8.9	163.2	96.1
1991	110.3	113.2	9.4	128.2	97.3
1992	110.5	113.2	10.4	109.5	95.8
1993	110.7	110.1	11.7	90.0	98.8
1994					102.0
1st qtr.1994	1.3	0.3	12.5	93.6	100.9
2nd qtr.1994	−1.2	3.6	12.6	110.6	102.4
3rd qtr.1994	1.4	5.3	12.6	109.0	102.8
4th qtr.1994					102.0
January 1994	0.7	1.2	12.5	82.5	99.3
February	1.3	−0.8	12.5	95.1	99.8
March	2.0	0.5	12.6	103.3	100.9
April	−3.8	3.6	12.6	113.6	102.0
May	3.1	3.8	12.7	109.8	102.6
June	−2.7	3.6	12.6	108.3	102.4
July	−2.1	5.5	12.6	105.2	102.3
August	3.9	5.5	12.6	109.6	102.4
September	2.4	5.1	12.7	111.9	102.8
October	−2.3	4.7	12.6	108.3	102.9
November	−1.3	4.5	12.6	102.2	102.6
December 1994					102.0

■ ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	9.6	88.1
1986	106.8	104.1	10.4	94.1
1987	112.1	106.8	10.9	95.6
1988	107.9	114.2	10.9	99.6
1989	116.8	118.7	10.9	97.6
1990	114.4	118.0	10.3	94.0
1991	110.8	115.4	9.8	96.4
1992	116.9	115.4	9.8	93.3
1993	114.2	112.9	10.2	101.0
1994				
1st qtr.1994	−5.7	−0.9	11.7	102.2
2nd qtr.1994	−5.9	5.0	12.5	101.7
3rd qtr.1994		8.8	11.8	101.9
4th qtr.1994				
January 1994	−6.3	−3.5	n.a.	101.5
February	−8.6	−0.2	n.a.	102.0
March	−2.3	1.0	n.a.	102.2
April	−10.5	6.9	n.a.	102.3
May	−3.0	2.8	n.a.	102.1
June	−3.8	5.2	n.a.	101.7
July	−2.3	6.8	n.a.	101.4
August	−4.9	12.3	n.a.	101.8
September		7.3	n.a.	101.9
October		7.3	n.a.	102.4
November			n.a.	103.2
December 1994			n.a.	

■ UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	90.0
1986	105.3	102.4	11.2	116.1	93.1
1987	110.7	106.5	10.3	141.2	97.0
1988	117.8	111.6	8.6	143.1	95.6
1989	120.1	114.0	7.2	123.5	93.6
1990	121.1	113.7	6.8	97.2	91.3
1991	119.6	109.2	8.8	68.2	95.3
1992	120.5	109.0	9.9	69.3	99.2
1993	124.7	111.3	10.3	76.3	106.7
1994	129.0			94.1	
1st qtr.1994	3.5	4.2	9.9	84.6	108.8
2nd qtr.1994	3.8	5.9	9.6	89.0	109.1
3rd qtr.1994	3.4	5.8	9.5	96.9	110.2
4th qtr.1994	3.1			106.3	
January 1994	3.9	4.4	10.0	84.4	107.6
February	2.8	4.0	9.9	84.5	108.4
March	3.7	4.4	9.8	84.8	108.8
April	4.3	6.1	9.6	87.4	108.7
May	4.1	5.2	9.6	88.2	108.9
June	3.1	6.4	9.6	91.3	109.1
July	3.8	5.4	9.6	93.5	109.6
August	3.1	5.5	9.5	97.1	109.8
September	3.5	6.5	9.4	98.9	110.2
October	3.1	5.6	9.2	105.3	110.1
November	2.6	4.2	9.0	106.9	110.3
December 1994	3.7			106.8	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. **Retail sales volume:** data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). **Industrial production:** data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). **Unemployment rate:** OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. **Vacancy rate indicator:** relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising. Japan – new vacancies. Germany and France – all jobs vacant. Italy – no data available. UK – unfilled vacancies. **Composite leading indicator:** OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

CARGO CLAIMS COULD ADD TO THE FINAL BILL

Claims on marine insurance policies for cargo damaged in the Kobe earthquake could significantly increase the total impact on the world insurance industry, investigations by Lloyd's of London suggest, writes Ralph Atkins, Insurance Correspondent. "Marine claims could well exceed non-marine claims," a Lloyd's official said yesterday.

Tight controls imposed by the Japanese government and insurance companies on earthquake cover has led most insurers to conclude overall claims for damage to property will be manageable. But the scale of the disaster means other costs could be considerable.

Kobe is one of Japan's biggest ports and much of the cargo being imported would have been insured, in the country of export, against earthquakes.

About 75 per cent by value of the cargo passing through Kobe is containerised and the port's two container handling facilities have been extensively damaged. But much of the cargo exported from Kobe is insured within Japan and would not have been covered against earthquake damage while still in the country.

Lloyd's and insurance brokers warned it was still too early to estimate the cost of possible marine claims. Lloyd's said the cost would be spread across the international insurance industry.

Pakistani team to meet IMF over three-year programme

Targets have been thrown into doubt, writes **Farhan Bokhari**

Pakistan is to send a delegation to the International Monetary Fund in Washington during the next month to discuss the future of the fund's three-year programme with Islamabad.

Pakistan is about to enter the second year of the SDR986m (£920m) programme, but its ability to meet agreed economic targets have been thrown into doubt.

Damage to this year's cotton crop, with a shortfall in expected revenues and businesses complaining of a growing recession, have hit projections. Targets for inflation and lowering the high public-sector deficit may also not end as projected.

During December, inflation rose to 14.3 per cent from 11 per cent a year earlier. The present figure is higher than the target of 5 per cent by 1997 agreed with the IMF. Targets for economic growth to reach 6.9 per cent for the fiscal year to June are also being revised.

Independent economists expect growth to fall below 5 per cent. Final estimates for the public-sector deficit are not clear, though many economists are convinced the government will be nowhere near cutting it to 4 per cent of gross domestic product from last year's 5.9 per cent. There are concerns the government will be unable to meet its target of tax revenues for the year of Rs259bn (£5.3bn); collections for the first six months stand at Rs95.5bn.

The economy's performance is fast emerging as one of the toughest challenges for the 15-month-old government of Premier Benazir Bhutto. "Pakistan needs the IMF programme to continue smoothly, because the government is convinced this will provide assurance to foreign investors," one western economist says.

This month, Ms Bhutto justified part of the revenue shortfall on the grounds that Pakistan had moved this year from an easy revenue collection system, such as import duties, to a more difficult system in the form of sales tax on different goods.

Some officials argue that, while preparing the programme, the fund had suggested the changeover in line with lowering of tariffs globally, and had indicated the new practice would not lead to a sharp fall in revenues. But many independent economists say the government's own targets for the year were much too ambitious.

Mr V.A. Jafarey, the premier's adviser on finance, insists some of the shortfall could still be met before the fiscal year ends. He argues that Pakistan's tax revenues in the second half of any fiscal year have been higher than in the first; he disputes reports of a shortfall of up to 20 per cent based on figures for collections so far.

At least 10 senior officials of the Central Board of Revenue, the government's tax collection department, have been forced to change jobs after failing to meet targets. It is not clear if a new team will be more successful.

Ms Bhutto claims her government has met performance criteria set under a three-year structural adjustment programme with the IMF. The country's foreign exchange reserves have risen to over $3bn (£1.87bn) from a low of $120m two years ago. The government has kept to its own expenditure targets, she adds. Many independent economists are sceptical.

The inflationary trends have created reason for further alarm, given that food price rises have been as high as 15 per cent. For many Pakistanis not used to frequent price increases, the recent signs are a cause for concern.

The choice for Islamabad now is either that of improving its collections or taking unpopular decisions such as increasing domestic oil prices, a measure taken by Pakistani governments in the past to improve the balance of payments situation.

Ms Bhutto gives no clues on what specific measures could be in store. Mr Jafarey says: "Whatever [steps] are necessary for protecting the country's solvency, those will be taken."

NEWS: WORLD TRADE

Race starts to build mobile satellite phones

By Alan Cane in London

An international race to build the first global hand-held satellite phone system has begun in earnest with the completion of equity financing for one of the principal competitors.

Inmarsat, a London-based, satellite communications organisation, said some 39 of its members had pledged $1.4bn in funding for Inmarsat-P, an affiliate company established to implement the project.

Inmarsat's members include many of the world's leading telecoms operators. Investors in the new project include Detemobil of Germany, Telefonica of Spain, Comsat of the US and KDD of Japan. There is no participation from the UK or France.

The first shareholders' meeting will be held this morning, at which the board of directors and chairman will be elected. A chief executive and senior staff have also to be appointed.

The project is expected to cost $2.6bn at 1994 prices. The aim is to establish a network of 12 satellites, 10,000km above the earth's surface by 1999, capable of handling communications from hand-held phones from anywhere in the world at a cost of $2 a minute at 1999 prices.

Inmarsat-P will be competing against a number of contenders including the Iridium consortium led by Motorola, the US electronics company, and Odyssey, a joint venture between TRW, the US aerospace manufacturer; and Teleglobe of Canada. Of the larger contenders only Iridium and Inmarsat-P have so far competed the first round of equity funding. Inmarsat-P is the only consortium in the race not based in North America.

Inmarsat, which pioneered mobile satellite communications with maritime voice and data services in 1982, predicts that conventional cellular services will continue to expand, but that by 2000, only 15 per cent of the world and 60 per cent of the population will be within coverage.

The organisation argues there will be a substantial demand for satellite hand-held systems from international and domestic business travellers, government employees and customers in rural areas where fixed telephone systems are inadequate.

It says by 2010 there could be 5m subscribers. But analysts believe the market is unlikely to be able to support more than two competing services.

Ukraine spreads energy sources

By Matthew Kaminski in Kiev

The Odessa oil terminal project approved by Ukraine's parliament last week marks an important step by the second largest former Soviet republic to diversify its energy sources and cultivate trade links.

After a divisive debate over environmental hazards, a new terminal near the deep Yuzhny port will handle 12m-20m tonnes of crude a year once construction is completed late next year. The crude, brought by tankers entering the Black Sea via the crowded Bosporous Straits, would be refined at Odessa and Kherson, two of Ukraine's six refineries.

With Russian oil output declining and subject to world prices, energy-dependent Ukraine has a security and economic interest in meeting the country's 40m tonne annual requirement through importing Middle East crude. It currently imports almost 20m tonnes from Russia and produces 4m tonnes domestically.

"We have to look for back-up options," said Mr Valery Cherep, chairman of Ukraine's state committee on infrastructure development. "A country as big as Ukraine cannot sit on just one pipeline."

Construction costs over the next 16 months are expected to hit $790m. The government maintains the funding will come from the state budget, commercial investors, and international financial institutions or sovereign states.

The terminal will be designed to handle 40m tonnes per year. The expansion plans hinge on a 320km pipeline from Ankara to the Black Sea reloading port at Samsun 720km from Odessa. That $1.5bn project, currently under discussion, would bypass the Bosporous to bring Iraqi and Iranian oil into Ukraine. Analysts predict that if built, the Samsun pipeline would change regional oil flows.

Mr Cherep said Ukraine would save an average of $12 per tonne if the oil did not go exclusively through the Bosporous or the current Russian oil pipeline from Tumun, in Siberia. As total capacity at Ukraine's under-used refineries approaches 62m tonnes per year, government officials also hope Ukraine could develop a lucrative export market in northern Europe for its surplus refined oil.

Parliament approved the Odessa project after a UK company performed onshore and offshore environmental impact assessments.

With some natural wealth, Ukraine wants to raise oil output from 4m tonnes last year to 7m tonnes by 2000, increase natural gas production above the 17bn cu m last year, and expand the coal and nuclear energy sectors.

Until then, Ukraine must work with its energy creditors. President Leonid Kuchma today meets Russian President Boris Yeltsin to discuss an energy debt and supply agreement for 1995. Ukraine last week reached agreement with Turkmenistan for 11bn cubic metres of natural gas in 1995, 40 per cent paid for by hard currency and the remainder by barter. The rest of its 100bn cu m natural gas needs will be covered by domestic production and Russian imports.

Qatar in US deal to develop natural gas

By Robert Corzine

Qatar yesterday confirmed that it had signed a letter of intent with Enron, the US natural gas company, to develop a $4bn liquefied natural gas project to supply potential customers in India and Israel.

The project would be the third LNG scheme in the country, which is keen to supplement oil revenues with large-scale gas exports.

Qatar's proved gas reserves account for about 5 per cent of the world's total. They are mostly contained in the giant North Field, the largest single gas field in the world.

Reuters yesterday quoted Qatari officials as saying that the latest project would produce 5m tonnes of LNG a year from early 1999. It said Enron would be responsible for arranging finance, including Qatar's majority equity share.

The Houston-based company said a confidentiality agreement prevented it from disclosing details of the deal. It did confirm, however, that it was looking at two potential markets for the gas, including an Enron power project in India.

Israel is the second market under consideration. The Middle East Economic Survey yesterday reported that Israel had held talks with Jordan on a proposal to build an LNG terminal near Aqaba.

Qatari gas could then be made available to utilities and industrial customers in both countries. Israeli officials last week said they were interested in Qatari gas through Enron, but said that whether they would take it depended partly on the price and partly on where to put the receiving terminal.

The original intention was to locate it at Eilat, Israel's Red Sea tourist resort, but this was potentially a problem because of tourism. A site in Jordan would overcome this difficulty.

Qatar's other two LNG projects are aimed at markets in East Asia, such as Japan, South Korea and Taiwan. The gas will be sold free on board, meaning Enron will be responsible for shipping and for getting it to its ultimate destinations.

An earlier project to supply LNG to Italy collapsed last year over gas prices.

WORLD TRADE NEWS DIGEST

South Korea lifts car exports 15.6%

South Korea boosted car exports by 15.6 per cent to 737,900 last year as a result of a large increase in sales in the US, traditionally its biggest market. But the industry's strategy of market diversification suffered a setback, with shipments to Europe stagnating and a sharp drop in exports to Asia.

Exports are becoming more important to the rapidly expanding Korean car industry because of a slowdown in domestic sales, which grew by 9.1 per cent last year. Korea is hoping to almost triple production from 2.3m vehicles in 1994 to 6m by the end of the decade, with half of this amount destined for overseas.

Car exports to the US jumped by 85 per cent to 206,000 vehicles due to economic recovery and introduction of several new models in the market. Exports to Europe grew by only 1.3 per cent to 159,900 vehicles. Although shipments to western Europe rose by 5.5 per cent to 138,600 vehicles, exports to eastern Europe dropped by 19.8 per cent to 21,300.

South America overtook Asia to become the South Korean car industry's third biggest regional market with 129,100 vehicles, an increase of 35.7 per cent, followed by the Middle East with 94,400 vehicles, a decline of 6.5 per cent. *John Burton, Seoul*

Cuba and Caricom build links

Cuba and the Caribbean Community (Caricom) have agreed a wide ranging programme of co-operation on economic and technological issues and will discuss expanding trade links. Agreement follows a two-day meeting in Havana of a joint commission established last year by Cuba and the 13-member Community.

"We made progress in the specific areas identified in the plan of action, such as technological co-operation, biotechnology, culture, human resource development, the environment, meteorology, tourism, transportation, information exchange and information systems," said Mr Edwin Carrington, secretary general of the community.

The creation of the commission last year was criticised by the US, which pressed Caricom countries to insist on political reform in Cuba before increasing trade and economic co-operation. *Canute James, Kingston*

Australia upset at dairy move

The Australian government will lodge an official protest in Washington this week against a US decision to expand its dairy subsidy programme into Australia's key Asian markets. The US agriculture department announced last Friday that up to 114,000 tonnes of milk powder, 37,650 tonnes of butter and 3,850 tonnes of cheese would be eligible for subsidies under its Dairy Export Incentive Programme.

Australian farmers are most concerned about the effect on its skim milk powder exports totalling 150,000 tonnes a year. The Philippines is Australia's largest market for milk powder, accounting for around 43,000 tonnes last year with a value of A$100m (US$76m). *Emilia Tegaza, Canberra*

■ Dell Computer of the US and its Japanese subsidiary, Dell Computer KK, will build a new personal computer plant in Penang, Malaysia to cater for the Japanese and other Asian markets. Construction will start later this year at the Bayan Lepas Free Industrial Zone in Penang. *Reuter, Tokyo*

■ Weir Westgarth has won orders totalling $25m to provide equipment for two combined-cycle power stations and associated desalination plants in Lebanon. The work, for which Weir Westgarth was acting on behalf of a number of companies in Glasgow-based Weir Group, is part of a $530m contract recently awarded to a European consortium comprising Ansaldo of Italy and Siemens of Germany. *Andrew Baxter, London*

■ France's Alcatel Alsthom is to invest $300m in China's fledgling telecommunications industry over the next three years to boost its presence in the world's largest market. Alcatel's China orders reached $1.4bn in 1994, up from $1.2bn in 1993 and more than double that of 1992. The company announced eight new joint ventures in China in 1994 for telecom transmission, cable, business and rural communication systems and telecoms systems support. *Reuter, Beijing*

■ Michelin (Canada) will invest C$25m (US$17.5m) to upgrade its three tyre plants in Nova Scotia. The funds will be used to raise capacity and productivity. Michelin moved into Nova Scotia 25 years ago and its operation is tied closely with Michelin's US plants. *Robert Gibbens, Montreal*

■ Brit air, the French feeder airline, has doubled its order of 50-passenger Bombardier regional jet aircraft from three to six, worth a total of $111m. Deliveries start in June and will be completed in 1996. The jets will replace turbo-props on longer routes. Bombardier has delivered 52 RJs and has firm orders for another 52 worth nearly $1bn. *Robert Gibbens, Montreal*

■ Carnival Corp of the US has reached agreements with an Italian shipyard, Fincantieri Cantieri Navali Italiani, to construct two cruise ships at a combined cost of about $650m. One vessel will be built for its Carnival Cruise Line unit, with the other being built for its Holland America Line subsidiary. *Reuter, Miami*

■ Indian industrial group DCM will build a $27m tyre cord fabric plant in Dubai's Jebel Ali Free Zone. India's SRF, part of DCM, will build the plant and provide $10m in equity, while State Bank of India and Kuwait's Burgan Bank will provide $10m in long-term loans. *Reuter, Dubai*

Excavator factory in N Yorkshire will be company's first overseas manufacturing unit

Korean group defies dumping charge

By Chris Tighe and Andrew Baxter

Samsung Heavy Industries, Korea's biggest construction equipment producer, is to establish its first foreign manufacturing plant in a former steel fabrication factory near Harrogate in northern England. The announcement follows Samsung's two-year search for a suitable European location, involving 12 possible sites in eight countries.

Yesterday's announcement comes little more than a month after a group of European excavator manufacturers filed a long-awaited anti-dumping complaint against their main Korean rivals.

A European Commission committee will decide by February 3 on whether to investigate the Korean producers, who deny dumping their machines on the European market.

The complaint from the Europeans has encouraged the Koreans to accelerate plans for setting up excavator factories within the European Union. Earlier this month Hyundai said it would open a plant at Geel in Flanders, while Daewoo plans to expand production at its Mons, Belgium, factory.

Production of 21-tonne crawler excavators at the new English factory will start later this year. An initial workforce of 100 is due to rise to between 500 and 600 by the year 2000. The £10m ($15.9m) investment is the first by a Korean company in the Yorkshire and Humberside economic region. It follows the announcement by the Samsung Group in October 1994 of plans for a £450m electronics complex at Wynyard in north-east England on which construction has just started.

In common with its Korean rivals, Samsung is starting cautiously at Harrogate, with initial production of 500 excavators a year. But this could rise to 2,000 excavators and other machines by the year 2000, further exacerbating competitive pressures in the European market.

Samsung has bought freehold the 20,000 sq m factory and its surrounding 18ha greenfield site. The plant, barely five years old, has been vacant since Octavius Atkinson, a Taylor Woodrow subsidiary, closed in April 1993. The Korean company is also trying to secure an option for 20ha of adjacent land owned by a private trust.

Cho Ki-Jeh, managing director of Samsung Heavy Industries, at the company's factory in England

Mr Cho Ki-Jeh, managing director of overseas marketing at Samsung's construction equipment division, said the plant would be an assembly operation at first with machining and other manufacturing activities added later. It would start by serving the European market and later also the US, the Middle East and other areas.

Unusually for a significant inward investment into the UK, Samsung's site does not qualify for regional selective assistance. Samsung said the advantages of the site, near the A1 road from London, included infrastructure and labour availability. Mr Eric Wright, chairman of the Yorkshire and Humberside Development Agency, predicted that more Korean companies would come to the region.

Single EU presence suggested for Ireland

A draft of the keenly awaited UK-Irish framework document proposes that a cross-border institution should help develop a joint approach to the European Union for the island of Ireland, David Owen writes from Westminster.

This emerged yesterday as Mr John Major, the UK prime minister, offered further reassurance to pro-British Unionists in Northern Ireland that the two governments' proposals did not include provision for joint authority over Northern Ireland's affairs.

The prime minister told a meeting of municipal leaders from Northern Ireland that joint authority had "never been our intention", and the need for consent to UK-Irish plans remained "paramount."

This gathering was preceded by an hour-long meeting between Mr Major and Mr James Molyneaux, the Ulster Unionist leader who is an immensely influential figure in efforts to construct a durable settlement in the province.

The meeting came after Mr Molyneaux, whose acquiescence in the peace process has been an important factor in progress so far, had added his voice to mounting unionist concern about what the document contains.

Some leading Ulster Unionists have raised the prospect of withdrawing support for Mr Major, leaving the government at the mercy of the nine rebel Tory Eurosceptics.

Last week, the unionists demonstrated their parliamentary power by extracting a pledge before a Commons vote on EU fishing rights that marine fishing would be exempt from cross-border co-operation.

Yesterday's indication of the joint stance on the EU will do nothing to allay unionist concerns. The draft envisages a continuing role for the proposed cross-border institution in shaping the island of Ireland's approach to the EU.

The document might be unveiled next month at a summit between Mr Major and Mr John Bruton, prime minister of the Irish Republic.

The two governments hope the framework document will provide the basis of a lasting political settlement in the province. It will be the starting point for talks involving Northern Ireland's main constitutional parties. Mr Major said yesterday there was "no question" of imposing a blueprint on the parties, however.

Joe Rogaly, Page 14

Minister demands faster shift from state ownership

Treasury building may transfer to private sector

By Andrew Adonis
Public Policy Editor

Refurbishment of the Treasury's headquarters on Whitehall in central London is to be carried out through the private finance initiative, Mr Kenneth Clarke, chancellor of the exchequer, will announce today. He hopes to accelerate the government's flagship policy for boosting investment by the private sector in state projects.

"I foresee that before many years private contracts will be the usual way of meeting the government's capital spending requirements," he said yesterday. The initiative is designed to shift responsibility to the private sector for financing and managing capital investment projects to provide new or upgraded public services.

Ownership of the Treasury's buildings on the corner of Whitehall and Parliament Square may pass to the private sector, with the government taking a long lease. Mr Clarke will tell a conference on the initiative that he intends to appoint a successful bidder for the Treasury job, expected to cost between £100m ($159m) and £200m, before the end of the year.

He will also claim that the government is on target to sign contracts worth £6bn under the initiative this year – up from £5bn forecast in last November's Budget.

So far the initiative has made slow progress. There has been widespread scepticism among potential bidders, reflected in a hostile report last week from the House of Commons Treasury and civil service committee, which claimed that important aspects of the initiative remained ill-defined. Mr Clarke believes that progress in recent months – notably a contract between London Underground and GEC-Alsthom to provide new trains for a notoriously inefficient Underground line – have brought the initiative to take-off point.

The Private Finance Panel, a ginger group established by the government 14 months ago under the chairmanship of Sir Alastair Morton, hopes to counter criticism by displaying momentum in the public finance initiative. Sir Alastair is co-chairman of Eurotunnel, the company which operates the Channel tunnel between England and France. Today the panel will unveil a list of nearly 700 PFI projects valued at a total of £21bn ($32.8bn) across government departments, ranging from hospital scanners and imagers to the upgrading of the West Coast railway line between London and Scotland. It involves a complete culture change," said Sir Alastair. New markets, such as the provision and operation of private prisons, are developing. The initiative is also intended to stimulate public/private partnerships, notably in local government where city and district councils have plenty of assets, but not always the entrepreneurial zeal to make the best use of them.

Industrialists urge expansion in trade with Iraq

By Jimmy Burns

More than 70 British companies last night attended a private meeting in central London backing fuller trade ties with Iraq in spite of the UK's support for the continuance of United Nations sanctions against President Saddam Hussein's regime.

The meeting was organised by a commercial lobby group, the Iraqi British Interests (IBI) Group, which claims a growing membership and the support of Conservative members of parliament.

Companies attending were drawn from a wide cross-section of sectors,indicating a growing interest in Iraq among businesses whose contacts are with Baghdad are restricted by sanctions. They included British Steel, Dunlop International, Rothmans Exports, Trafalgar House, Thames Water, Fisons, Amersham International, De La Rue and Boots.

Among other companies attending were United Projects, a trading company that before the Iraqi invasion of Kuwait was exporting up to £15m of goods to Iraq per year. There was also a representative of W.H. Atkins, an engineering consultancy group that helped design and construct a missile installation bunker for the Iraqis during the 1980s.

Mr Stephen Crouch, a director of the IBI group, said that British commercial interests in Iraq risked losing out to European competitors such as France, which – he alleged – was taking a more relaxed attitude towards sanctions by signing forward contracts with Baghdad.

He criticised the Foreign Office for its support for a continuance of the sanctions regime, and claimed that some sectors of Britain's Department of Trade and Industry were "sympathetic" to the views of his group.

"We can't afford to lose what before the Gulf War was an important market for us," he told the meeting. "We feel it is important to maintain contact with the Iraqi state."

Veal crates 'doomed' across Europe, claims minister

By Caroline Southey in Brussels

Britain said last night that it had won support from several EU member states for an eventual ban on the use of veal crates across Europe.

"Veal crates are doomed," Mr William Waldegrave, the British agriculture minister, said after a meeting of the agricultural council in Brussels. "The days of veal crates are numbered. My advice to farmers in the business is to get out now. This council is not going to protect the use of crates."

European agriculture ministers also backed an early review of the use of veal crates throughout the continent. Mr Franz Fischler, the new agriculture commissioner, said the review would be completed "as rapidly as possible". If pressed, he said, that meant "within this year".

Mr Waldegrave said that the British drive to ban the use of crates, which are used to raise white veal throughout the continent had received support from Sweden, Denmark, Germany, Austria and Finland, adding that none of the other 14 agricultural ministers had spoken against the UK proposal during the meeting.

A senior council official pointed out that France, the largest EU producer and consumer of veal, had not spoken against the proposal at the meeting, although it noted that any new measures should take account of the economic interests of member states.

Mr Waldegrave, who has faced a public outcry in Britain over the shipment of British calves for veal production in small crates in other EU countries, called on protestors to "pile in behind the progress" that had been made in Brussels. Although he condemned violent protestors, he said it would be necessary to maintain the political momentum to ensure the review was not delayed.

Mr Waldegrave said he had also felt more optimistic on the issue of the transport of live animals, although a battle still lay ahead on this front. British farmers export 500,000 calves a year, worth 100m, to the Continent, most for veal production in crates.

● Mr Douglas Hurd, the foreign secretary, yesterday signalled a tough UK line on majority voting at the European Union's 1996 intergovernmental conference as Mr David Davis, a mildly Eurosceptic minister, was named UK representative on the organising committee.

UK NEWS DIGEST

London warned of threat to 'world-class' city

London could lose its status as a world-class city if the British government does not invest in its infrastructure, business and political leaders warned yesterday. Without heavy funding of public transport, housing, the environment and educational training, London would fail to attract business and industry which would locate elsewhere in Europe.

The warning came as a coalition of nine London organisations launched the London Pride Prospectus, which sets out a view of a better quality of life in the capital beyond the year 2000. It also called for extra government funds, claiming that in 1993 London paid £8bn ($12.7bn) more in taxes than it received in public investment.

Councillor Miles Young, leader of Westminster City Council, said: "Within Europe there are cities that are looking to knock London off its perch. Paris, with its economic development programme, is poising itself to take business enterprise away from London. So is Frankfurt, and in 10 years time Berlin will be assuming the characteristics of a world-class city." *John Authers, London*

Economic growth continues

Britain's economy continued to grow at a fast rate in the final quarter of last year, boosting speculation of a further rise in bank base rates next month or in March. The Central Statistical Office yesterday estimated that gross domestic product, the total of goods and services produced in the UK, rose by a seasonally adjusted 0.8 per cent in real terms between the third and fourth quarters, increasing output in the final 1994 quarter by 4 per cent compared with the same three months the year before.

The figures marked the 11th quarter of growth since the trough of the recession. They slightly exceeded City expectations, although the latest quarterly growth rate was unchanged from the previous three months, and the year-on-year increase in GDP slowed from the third quarter's 4.1 per cent.

National output in 1994 as a whole was estimated at 4 per cent higher than in 1993, giving the UK its best year of growth since 1988. However, last year's growth was above the 2 per cent-2.5 per cent annual rate that is considered sustainable over the long term without stimulating inflation.
Peter Norman, Economics Editor

Gas chief defends pay rise

Mr Cedric Brown, chief executive of British Gas, has written to employees defending his 75 per cent pay rise in the hope of pre-empting criticism he expects today when he is examined by members of a House of Commons committee. In his letter, which British Gas employees will receive this morning, Mr Brown says: "They [the employment committee] will ask me about my pay and I will be answering their questions openly and fully, because the background to the issue has yet to be fully understood".

It continues: "I will stress that unless we recruit and retain the right people, the right decisions will not be made about the future of our company". This is the first time Mr Brown has discussed the rise in his base salary from £270,000 to £475,000 since it was disclosed at the end of last year. The letter also indirectly blames the government's policy of introducing greater competition to the gas market for the company's current programme of 25,000 redundancies.

Meanwhile, the British government sought to stem further controversy surrounding British Gas yesterday by giving an assurance that special services for the elderly and disabled would not be sacrificed under the liberalisation of the domestic market.
Robert Peston and John Kampfner, Westminster

Army reviews aircraft project

The British Army is considering the cancellation of a project for an unmanned aerial vehicle on which £227m ($354m) has already been spent, according to a magazine report published today. The reconnaissance aircraft, known as the Phoenix UAV, is running six years behind schedule and project costs have more than doubled since the development and production contract was signed in 1985, says a report in Flight International.

The magazine says the Ministry of Defence has launched a high-level review of the project which would decide in the middle of this year whether or not to abandon the project, in which the prime contractor is GEC-Marconi. Defence ministry officials declined to confirm or deny the report, but the ministry has already acknowledged that there are technical problems with the project.
Bruce Clark, Diplomatic Correspondent

Fraud Office 'should stay'

Britain's Serious Fraud Office should be retained in its present form, despite widespread criticism of its performance, an official government working party is set to recommend to ministers. The working party, which will report to Sir Nicholas Lyell, the attorney-general, is expected to recommend that the SFO should be kept as an independent organisation and enlarged, taking over a number of fraud cases currently handled by the Crown Prosecution Service.

The decision, if finally approved by ministers, will be welcomed by SFO staff who have consistently argued that criticism of the office's track record has been excessive and unfair – a view shared by the attorney-general. It also reflects the feeling among ministers and within the legal profession that whilst criticism of the SFO has been plentiful, few constructive suggestions have been made about how the prosecution of fraud can be improved.
John Mason, Law Court Correspondent

Weather boosts vegetable prices

The price of vegetables has risen sharply in past weeks because of shortages caused by last year's unusual weather. Industry officials say further rises may be in store. The average farm-gate price of potatoes has risen to £207 ($329) a tonne compared with £70 at the same time last year, according to the Potato Marketing Board.

The potato shortage was caused by a drought last summer, which led to a smaller crop, and farmers planting fewer potatoes. For three years oversupply has produced poor returns. Potato production last year was down 700,000 tonnes on the 6.8m tonnes produced in 1993, said the board.
Alison Maitland, Farming Staff

BA treated pilots 'unfairly'

More than 200 pilots who lost their jobs when British Airways took over small regional airline Dan Air two years ago were unfairly dismissed, an industrial tribunal ruled yesterday.

Three hundred and eight pilots were dismissed, but only 202 took their cases to the industrial tribunal, which will decide on their compensation this week. The maximum award in an industrial tribunal is £10,000 ($15,900).
Lisa Wood, Employment Staff

Girls ahead in school tests

The first-ever publication of national curriculum test results in England and Wales yesterday produced new evidence that girls are out-performing boys academically.

These are the broadest standardised figures yet made available for seven- and 14-year-olds, and they confirm trends already revealed by league tables of results in GCSE exams, taken at 16. However, the figures are marred by the fact that only 22 per cent of secondary schools, and 55 per cent of primary schools, reported their results following the boycott of the tests by teachers' unions. *John Authers*

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TECHNOLOGY

Early detection of cancer means a higher survival rate for patients. Clive Cookson and Daniel Green continue a series by looking at the latest screening techniques.

IN THIS SERIES:

NOVEMBER 29
Introduction.
The growing toll of cancer worldwide. Why the disease is responding better to treatment in the young. The worldwide market for cancer drugs. Who is spending what on research.

DECEMBER 13
Causes and prevention.
Smoking. Diet and food supplements. Sunshine and skin cancer. Chemicals and other environmental causes. Vaccines against cancer-causing viruses. Antibiotics to prevent stomach cancer.

FEBRUARY
Chemotherapy.
Drugs to kill rapidly dividing cancer cells. Reducing multi-drug resistance. Anti-nausea drugs and other ways of reducing side effects. Hormone-based treatments. Photodynamic therapy. Herbal and alternative remedies.

MARCH
Radiotherapy.
X-rays. Gamma rays. Neutron beams. Heavy ions. Magic bullets. Antibodies and fusion toxins aimed at cancer cells.

APRIL
Genetic treatment and other biotech approaches. Gene therapy and anti-sense. Cell migration and adhesion. Apoptosis and cell suicide. Immunostimulants. Cell growth factors. Interferons and interleukins.

Detectives on the case

The sooner cancer is diagnosed, the better the chances of curing it. That simple rule has stimulated a huge research effort to detect early signs of the disease before the patient feels any symptoms.

There are two parts to the strategy – both of which are, rather confusingly, sometimes called "screening".

The first is to identify individuals who have inherited a high risk of developing cancer. Traditionally, researchers have done this through tracing family histories; such studies can tell people that they *may* be at risk. Research into cancer genes is producing tests to pinpoint exactly who is and who is not at high risk from particular forms of inherited cancer (see article below right).

The second stage is to spot early signs of the disease itself, so that treatment can begin. A wide variety of imaging and chemical tests are being developed for this purpose (see article above right).

Genetic testing will be carried out first on volunteers from known cancer families. Screening of the general population for cancer genes still lies a long way in the future. The tests themselves have to be made faster, more convenient and more reliable than the ones available experimentally today – and social and ethical issues must be addressed.

One of the most emotive issues will be the attitude of health and life insurance companies to genetic screening. This may not make much difference in practice to people known to have a family history of cancer, who may already have to pay higher insurance premiums. But the threat of "genetic discrimination" resulting from positive tests would be a huge disincentive to population screening.

Some cancer specialists feel that they are being pushed too quickly towards genetic screening, even for cancer families. "Ideally we should wait 10 years before we begin screening, because there still isn't very much we can do for someone who has a breast cancer gene, for example," says Karol Sikora, professor of clinical oncology at the Hammersmith Hospital, London. "But there is tremendous commercial pressure to get these kits on to the market, so we can't wait. We must start to evaluate the services that will be needed by those who are at high risk."

The second type of screening – non-genetic testing for early signs of disease – is much further advanced.

The showpiece is cancer of the cervix. The UK national cervical screening programme, started in 1988, now gives Pap smears to 80 per cent of women in the target 20-64 age group. (The test detects abnormal cells in the cervix.) The programme is credited with reducing deaths from cervical cancer at a time when the underlying incidence of the disease is rising; screening may be saving as many as 2,000 lives a year in the UK.

But screening for other cancers is controversial. Many specialists doubt whether the potential benefits justify the costs of screening and the anxieties aroused in patients.

"It's no good having a screening programme unless you can do something about the disease when you diagnose it – and in a lot of cases you still can't," says Sir Richard Doll of the Imperial Cancer Research Fund unit in Oxford. "For breast cancer, screening is worthwhile for women over 50 but there is no clinical evidence that it does any good for younger women."

The American Cancer Society recommends checking men over 50 for prostate cancer through an annual blood test and quick physical exam. But a study by the University of Toronto, published last autumn, suggested that mass prostate screening might be counterproductive because side-effects of treatment would outweigh any saving of lives.

CC

The image of a diagnosis

Tumours look different from healthy tissues. Some show up on X-rays and through other imaging techniques, and some trigger the production of "markers" such as hormones which can be detected in blood tests.

Doctors use both approaches for diagnosis and to monitor the effectiveness of treatment and detect any recurrence of the cancer.

The radiologist has a battery of imaging tools to choose from. Each has pros and cons in cancer.

● Conventional X-rays remain important in cancer detection in opaque bones and virtually transparent lungs. But they do not show soft tissues well and so are not suited to studying densely packed areas of the body such as the head and neck.

● Ultrasound, like radar, uses the echoes from high frequency vibrations to produce a moving image of the inside of the body. The equipment is portable, relatively simple to use and good at detecting tumours in solid parts such as in the liver and ovary. The latest machines use the Doppler effect to detect the motion of blood in vessels that feed tumours. But ultrasound images are impaired by bone and air. Like conventional X-rays, the viewpoint for the image is limited to being outside the body.

● Computed tomography (CT) is X-ray information processed by a computer to give detailed cross-sectional images inside the body. The clear pictures provided by CT have given the technique a central role in cancer medicine, especially with the development of injectable "contrast agents" that can pick out internal features. Nevertheless, it can be hard to distinguish between benign and malignant tumours and between different kinds of soft tissue.

● Magnetic resonance imaging (MRI) pictures are better than CT at distinguishing between different kinds of soft tissue such as muscle and skin. MRI works by aligning the water molecules in a patients' body with a vast magnetic field. A burst of radio-waves then knocks the molecules out of alignment. As they snap back into position, the molecules give off energy which is picked up by detectors and turned into an image with computers.

● Positron emission tomography (Pet), still largely a research tool, has potential in cancer treatment. A patient is given a material, often glucose, that feeds dividing cells such as those in a fast-growing tumour. The glucose is radioactive and emits sub-atomic particles called positrons, or anti-electrons. An anti-electron quickly encounters a normal electron and they disappear in a flash of energy which is picked up by detectors and, once again, turned into an image with computers.

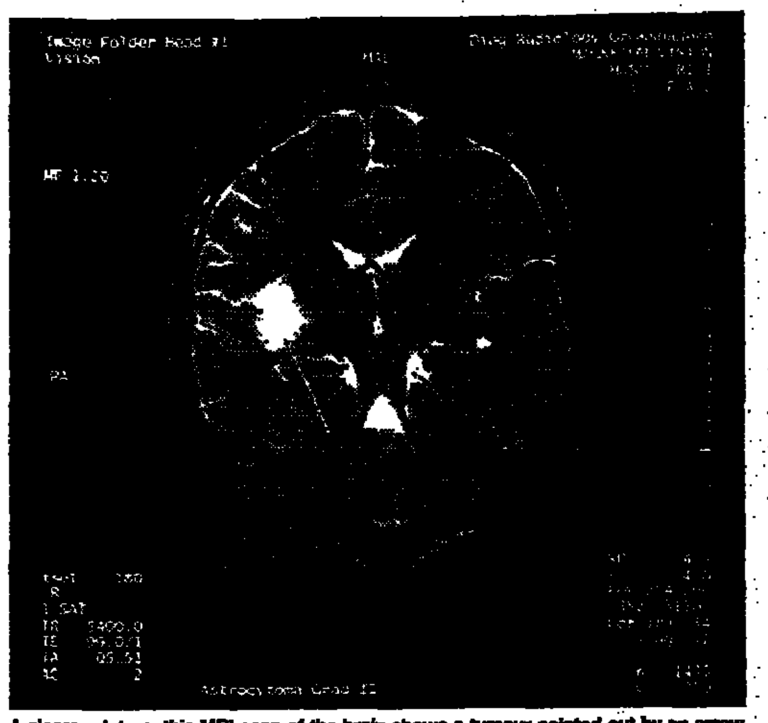
Impressive as these techniques are, none is yet powerful enough to give doctors a complete analysis of a cancer. A diagnosis based on imaging must normally be confirmed with a biopsy – the extraction of a sample of the suspect cells for laboratory analysis. The biopsy also reveals details about the cancer cells that cannot be seen in images. The biopsy needle is often guided to the right place with the help of imaging. The scans show whether a tumour is capable of surgical removal – if it has spread, it is not – and help the surgeon plan the operation.

After treatment, imaging is used to see how the tumour is responding to the treatment. With tests over time it can show whether the tumour is beginning to grow again.

Here, imaging overlaps with the use of cancer markers. *Marker tests* are inconclusive as diagnostic tools because false negatives and positives occur. Some malignant tumours do not make markers and some benign ones do. But once a cancer is confirmed, the presence of markers such as prostatic specific antigen and carcinoembryonic antigen for prostate and bowel cancers respectively, help monitor the progress of treatment and can alert the doctor to a relapse.

Both imaging and marker detection are continually refined. New markers may improve the sensitivity of the technique. The latest MRI and CT scanners can show moving pictures, while new contrast agents promise to show internal features that were previously hidden.

DG



A clearer picture: this MRI scan of the brain shows a tumour pointed out by an arrow

Pressure grows for genetic testing

The number of known cancer genes has been increasing exponentially since the original one was identified 20 years ago. The past year's bumper crop of discoveries, including the first breast cancer gene BRCA1, brings the tally of genes implicated in human cancer to about 50.

They fall into two categories. "Oncogenes" are natural molecular accelerators in which mutations cause runaway cell growth. "Tumour suppressor genes", in contrast, normally put the brakes on excessive proliferation; when mutations put them out of action, cancer can get started.

All the new information will make it possible to screen people for genetic predisposition to a wide range of cancers. Researchers estimate that roughly 5 to 10 per cent of common cancers are triggered by inherited mutations; the remainder result from genetic changes in the course of an individual's lifetime, caused by environmental factors and random changes during cell division.

No cancer gene tests are yet in routine clinical use, however, and – despite much recent publicity about their implications – researchers say several important issues will have to be addressed before widespread genetic screening can be introduced.

Some are technical problems about developing simple and accurate tests. Others are social and political, including the risk of "genetic discrimination" by insurers and employers.

The technical challenge of developing a test for inherited cancer genes is much greater than for simple genetic diseases, such as cystic fibrosis or Huntington's chorea, in which most or all cases are caused by a single mutation on a single gene.

"We are finding that disease-causing mutations in cancer genes are diverse and scattered all along each gene," says Mike Stratton, of the Institute of Cancer Research and Royal Marsden Hospital in London, who is a leader in the international search for breast cancer genes.

His colleague Ros Eales points to the test which ICR offers experimentally for Li-Fraumeni Syndrome, a rare disease caused by inherited mutations in the p53 tumour suppressor gene. "We quote at least three months to get a result," she says. "The procedure for the breast cancer gene BRCA1 is likely to be even more difficult because it is 10 times larger than p53."

Even so, Stratton expects a test for BRCA1 to be available commercially within 18 months. "But people shouldn't expect it to be quick and simple, like a pregnancy test."

Companies working on genetic tests include Myriad of Utah (breast cancer) and Cellmark Diagnostics of the UK (colo-rectal cancer).

In preparation for the time when genetic tests become widely available, the Royal Marsden and other cancer centres are planning screening services for people whose family histories show they may be at risk. Screening the general population is a more distant prospect.

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REPUBLIC OF POLAND
MINISTER OF PRIVATIZATION

Invites Tender Offers

Concerning Purchase of Shares in Share Capital of the Kalisz Concentrated Food Works "WINIARY" Joint-Stock Company

The Minister of Privatization, acting on behalf of the State Treasury of the Republic of Poland, in accordance with Art. 23 of the Law on Privatization of State - Owned Enterprises of July 13, 1990 (Dz.U. nr 51/90 item 298 with further amendments) invites tender offers of potential investors interested in purchasing shares constituting at least 10% of share capital of 'WINIARY" Joint Stock Company.

According to Art. 24 point 1 of the Law on Privatization of State - Owned Enterprises a stake of up to 20% of shares in share capital of "WINIARY" S.A. will be offered to the Company employees.

According to Art. 24 point 7 of the Law on Privatization of State - Owned Enterprises a stake of up to 20% of shares in share capital of "WINIARY" S.A. will be offered to the Company employees.

According to the Resolution of the *Council of Ministers. no. 86 of October 4, 1993, a stake of 5% of* shares in share capital will be retained by the State Treasury as the State Treasury Property for reprivatization purposes.

The Kalisz Concentrated Food Works "WINIARY" Joint Stock Company with the seat in Kalisz, Poland is the leading Polish manufacturer of concentrated food, particularly powder soups, fruit jellies and desserts, seasonings, powder creams, mayonnaise and salad dressings, baby and infant food, pastas.

Any requests and response of potential investors being interested in proceeding with this offer should be directed till February 10, 1995, 4:00 pm to the Polish Institute of Management, Ltd. (PIM) acting on behalf of the Minister of Privatization in this project.

Address: **Polish Institute of Management, Ltd. (PIM)**
02-691 Warsaw, St. Obrzezna 7
phone (48 22) 47 51 73; (48 22) 47 55 61 ext. 434-436; fax (48 22) 47 50 53
e mail: pimpl@maloka.waw.pl

Transaction manager: Ms Jagoda Szonert.

Information on the Company profile will be distributed to potential investors after signing up the appropriate "Letter of Confidentiality".

The Minister of Privatization reserves *the right to extend the period allocated to offer submission*, reject submitted offers or not to undertake negotiations without explanation.

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INTERNATIONAL PEOPLE

RTZ fills gap in minerals

■ Gordon Sage, 47, chief executive of RTZ Borax, assumes responsibility for the group's industrial minerals businesses replacing Ian Strachan, 51, who is to be chief executive of BTR. Sage joins the RTZ board on April 1.

■ J Roland Williams, 55, co-ordinator natural gas and coal for Royal Dutch Shell, chairman and chief executive of Shell Australia. He succeeds Ric Charlton, retiring in April after four years in the post.

■ Peter Hellman, 45, president and chief operating officer of TRW. Hellman, TRW's former chief financial officer, replaces Ed Dunford who has retired after 30 years with TRW. Hellman was general manager of crude oil supply and trading at BP America before joining TRW in 1989 as treasurer.

■ Marco Molinari, 35, Goodyear's European sales and marketing director, is appointed chairman and managing director Goodyear Great Britain. Swedish-born Molinari replaces William B Hirsch who is returning to the US.

■ Glenn H Gettier, 52, former chief financial officer of USLICO Corporation, chairman and chief executive of Dallas-based Southwestern Life Corporation. He replaces Robert L. Beisenherz who resigned last October.

■ Christer Forsström, 51, after 25 years with Electrolux, takes over as managing director of TV4, Sweden's main commercial TV channel, on April 1. Lars Weiss, TV4's programme director, has been appointed deputy managing director.

■ Jeremy Seddon, 53, a director of Barclays' BZW investment banking division, chief executive for Barclays Bank and BZW in India. He will be based in Bombay.

■ James W Conrow, a former executive vice president of the Inter-American Development Bank, senior vice president ICF Kaiser International. He will manage ICF Kaiser's offices in Latin America.

■ Mohsen Fahmi, 39, a former chief investment officer at the World Bank, head of leveraged investments unit at Salomon Brothers Asset Management in London. Fahmi joins Salomon from Goldman Sachs.

■ Susan Cook, Tandem Computer's vice president human resources, is moving to Eaton Corporation in the same role. She replaces John D Evans who retires in June.

■ Andrew Pinder, 47, Prudential Assurance's director of information technology, to head Citibank's European operations and technology.

■ William C Hunter, 46, a vice-president at the Federal Reserve Bank of Atlanta, senior vice president and director of research at the Federal Reserve Bank of Chicago from March 1.

■ Carl Painter, 49, head of BICC's North American cable-making business, a director of BICC.

■ Dan Tyree, 46, chairman and chief executive Lehman Brothers Europe, to be chairman and chief executive Lehman Brothers Asia. He replaces Jim Carbone, 42, who is returning to New York to head Lehman Brothers Global Asset Management. Bruce Lakefield, 50, head of Lehman's Multiple Trading Ventures Group, takes over as head of Lehman Brothers Europe.

■ Mathieu Giovachini, previously with Bear Stearns in Hong Kong, to head Standard Chartered's Singapore-based derivatives trading team covering the Asia Pacific region. Bo Van Wijk, previously with Phibro Energy and Chemical Bank, to be head of commodity derivatives in London.

■ Danforth Austin, 48, a former Wall Street Journal reporter, as general manager of the Wall Street Journal. He replaces Kenneth Burenga, president and chief operating officer of Dow Jones, the WSJ's parent. Karen Elliot House, 47, a former foreign editor of the WSJ and currently vice president, international, succeeds James H Ottaway as president of the International group. Dorothea Coccoli Palsho, 47, vice-president information services, to be president of Dow Jones Business Information Services. All three will report to Burenga.

International appointments

We hope to create in these columns a comprehensive listing of senior appointments in international companies. Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

Net book ruling is overturned

EUROPEAN COURT

The European Court of Justice last week allowed an appeal brought by the UK Publishers Association against a 1992 ruling by the Court of First Instance upholding a European Commission decision condemning the PA's resale price maintenance agreements for books.

According to the CFI's judgment, the "net book agreements" lay down standard conditions for the sale of books at fixed prices. These "net" books may not be sold to the public at less than the net published price. The conditions apply to all sales in the UK and Ireland by a wholesaler or retailer when the publisher decides to market a book at a net retail price.

The Commission's 1988 decision found the agreements infringed European competition rules, to the extent that they covered the book trade between member countries, and refused the PA's application for an exemption.

The Commission said the restrictions imposed by the agreements were not indispensable to the attainment of the stated objectives, namely avoiding a decrease in the number of stockholding booksellers, a fall in sales, smaller print runs and hence a rise in book prices.

The PA appealed against the CFI's rejection of its case that the Commission's decision was not properly reasoned. The ECJ set aside the CFI's judgment. The Court said it was wrong in law since it did not review properly the Commission's assessment that the restrictions of competition resulting from the NBA were not indispensable.

In particular, the CFI failed to take into account the consequences of the existence of a single language area forming a single market for books in Ireland and the UK. In so doing it ignored the need to determine whether any negative effects which abolition of the agreements might have on the Irish market were relevant to the assessment of whether the restrictions were indispensable in the context of the Community, rather than the national, market.

Moreover, the ECJ found the CFI's reasoning was marred with regard to the distinction between the national and intra-Community effects of the NBA. The ECJ said the CFI's view that consideration of the economic benefits of an agreement was limited to those that occur only on the territory of the member countries where the agreement parties are established and not of others was incompatible with Community objectives.

The ECJ also said the CFI failed to rule on the PA's contention that the past findings by the British Restrictive Practices Court (RPC) that the NBA was indispensable applied to the international book trade and to sales in national territory of books produced nationally, which the Commission ignored.

The Court went on to overturn the Commission's decision, accepting the PA's two arguments that the decision was wrongly reasoned. Both showed the decision failed to take proper account of the PA's argument concerning the negative effects of the decision on intra-Community trade and in particular the book market in Ireland.

First, the ECJ held that the decision contained no explanation of why the decisions of the RPC were not relevant with respect to the indispensability of the restrictions of competition in view of an existence of a single language area formed by the British and Irish markets.

Second, the Commission's reliance on its 1982 decision in the Dutch Books case was manifestly inappropriate and constituted a defect in the statement of reasons.

In that case the Commission had said that a collective resale price maintenance system involving the restriction of competition between member countries was not indispensable for achieving its stated economic benefits.

But the Flemish and Dutch publishers associations' system differed from the net book agreements. The UK agreements provide for uniform standard conditions for the sale of books at a fixed price only if the publisher chooses to market the book as a "net book". The Dutch system imposed resale price maintenance on all publications and prevented any competition with non-recognised publishers and booksellers.

C-360/92 P, Publishers Association v Commission, ECJ FC, January 17 1995.

BRICK COURT CHAMBERS, BRUSSELS

ARTS

To be taken on Trust

William Packer reviews three exhibitions with a purpose

Sooner or later, any conscientious critic is likely to find himself roped into arty good works of one sort or another: a turn perhaps on an advisory committee, or exhibition jury. He might even be asked to contribute something of his very own, for the good of the cause. We all do our bit, and it just so happens that three of my own pet projects have exhibitions on in London at this moment.

This, we know, is the year of the National Trust's centenary, and *Centenary*, the show now at Christie's, Kings St, London SW1 until February 2, in which contemporary British artists celebrate the achievement of those 100 years, seems straight-forward enough. But there is more to it than that, since its purpose is also to raise funds for the trust's Foundation for Art. I have been a member of the foundation's committee almost since its inception some 10 years ago.

Fund-raising? For the National Trust? I can almost hear the eyebrows cracking. But the need is simple enough. With the trust being in principle a charity dedicated to the protection and conservation of its properties, for it to put any of its revenues from subscription and bequest towards new, indeed modern art, could well be construed as misuse.

Yet artists through the ages have been responding to the landscapes of which the trust is now the custodian, and its great houses are stuffed with work that was manifestly modern art in its time. And the life-span of the trust itself represents by now a large proportion of that of many of its houses. To suppose that the history of a property is sealed with its accession to the trust, or that the response of artists thereafter is of no account, is clearly nonsense.

The National Trust's Foundation for Art is an enabling body with its own resources, encouraging artists of all kinds to work with the trust, arranging exhibitions and commissioning particular works for its collections. All such approaches, and the full variety of the trust's holdings, are represented in this exhibition, from Jeffrey Camp's vertiginous view from Beachy Head, to the delicate roofscape at Chastleton by Gus Cummins, and Maggi Hambling's abstracted sunrise over the Orwell Estuary, with affectionate satires from Glen Baxter and Posy Simmonds thrown in for good measure.

The artists range from the established to the aspiring, the abstract to the figurative, the young to the old, from such as Adrian Berg, Carel Weight and Gillian Ayres to Sarah Armstrong-Jones and Joy Girvin. They all understand, and have come to support in the most practical fashion, what the foundation is about and has achieved in its short life. It is now for the public to do the same.

The annual Hunting Prize Exhibition, now at the Royal College of Art, Kensington Gore, London SW7 until January 29, was set up some 15 years ago, since when it has developed into one of the principal fixtures of its kind in the art calendar. For the past few years, I have been a member of its selection panel. It is not the largest of such prizes but, at £20,500 overall and £10,000 to the winner, is not insignificant. Entry is open to paintings, prints and drawings, up to three per artist, and it now attracts a submission of nearly 3000 works.

Its constituency is neither avant garde nor reactionary, though neither is excluded. All is judged on its merits, and if there is comparatively little abstraction, that is only because comparatively little was submitted, to our disappointment – an open exhibition, after all, can only reflect what is sent in to it. What it does reflect is the strength, variety and professionalism of those artists who stand on the middle ground of British art.

It is particularly pleasing that a drawing, a meticulous study of a woman by Warren Baldwin, won the second prize this year, and also that there was a strong entry from younger artists, to whom two prizes are reserved. Mary Griffiths won first prize with an ambitious yet darkly ambiguous figure composition. All the principal prize-winners – there is also a Travel Award – are allowed to show extra works, and these displays, to eyes numbed through three days of judging, come as welcome reassurance that we got it right.

The *Venice in Peril* show at Patterson, Albemarle St, W1 until February 11 has also become an annual event, a wide-ranging anthology of images of *la Serenissima* by those many artists who, old and faded as she is, still cannot resist her – Tom Coates, Diana Armfield, Peter Kuhfeld, Leslie Worth, Pamela Kay and many more. Since I am one of them, I had better not say more, save only that *Venice in Peril*, that remarkable organisation set up by the late Sir Ashley Clarke nearly 30 years ago as an example to the rest of the world, still works its own magic on a shoe-string. If we count ourselves civilised, it deserves our support.

'A little light pruning', 1994, by Glen Baxter in the 'Centenary' exhibition

Recital/**Richard Fairman**

Borodin Quartet

Even during the darkest days of the Communist era music shone with a positive glow out of the Soviet Union. Just as soloists like Richter, Vishnevskaya and Rostropovich were giants in their field, so the Borodin String Quartet stood out as first among equals, an ensemble of which the great tradition of Russian music-making could be proud.

During 1995 it is engaged on an extensive tour that will take the players to every corner of Europe. This year the quartet is celebrating its golden jubilee, though the term has to be taken with some licence, as the marriage of the four musicians has been far from constant. Founded in 1945, the group was originally called the Quartet of the Moscow Philharmonic and it was only after a change of name and various divorces, as players left and others joined, that the present line-up was formed in 1976.

Despite all that coming-and-going, the music-making has remained at the highest level throughout. The post-war era has seen a number of eminent string quartets come to prominence, but the Borodin's place in history is assured. Its ability to survive through self-renewal has meant that it has stayed at the top longer than the others and – more important – its name will always be associated with the greatest composer of the string quartet from the post-war period.

That composer was Shostakovich. The Borodin's complete recording and live cycles of his 15 quartets (memorably at the *QEH* in 1986) may be said to have established the music once and for all. It was inevitable that Shostakovich would feature on the 1995 tour and two of the three programmes at the Wigmore Hall include his chamber works. The first recital on Sunday ended with exemplary performances of the Seventh and Eighth Quartets of the kind we have come to expect – eloquent, understated, deeply thought out.

No other four players have so sympathetically exposed the "other" Shostakovich. Broadly speaking, the symphonies and the quartets reveal the two sides of the man – the one public, the other private. While some ensembles accentuate the harsh intensity that is still present in his quartet writing, the Borodin players move in a world of the subtlest half-lights, where every shade of grey reflects another corner of the soul. These performances came closer than ever to the doubt and despair that is hidden deepest inside.

In each of the three anniversary programmes there will be a Russian guest. In fact, at Sunday's recital there were two, the viola player Yury Bashmet and cellist Mikhail Milman, who joined their Borodin colleagues in an achingly lyrical performance of Tchaikovsky's String Sextet, *Souvenir de Florence* (even in this company Bashmet's inimitable tone-colouring spoke with distinction). The other invitees will be the cellist Natalia Gutman and pianist Eliso Virsaladze.

Two further recitals at the *Wigmore Hall* on *January 25* and February 10

Concert/**David Murray**

Boulez at 70

Pierre Boulez is celebrating his 70th birthday with a London Symphony concert-series here; and in Paris next, and then in Vienna, New York and Tokyo. Nowadays such events get automatic cloning, even when the artist is as rarefied a figure as Boulez. In his case it is enough that he has a cosmopolitan reputation for conducting a special repertoire, with the further aura of a composer understood to be a major mid-century revolutionary – though few among his current audiences could identify anything more than odd bars from *Le Marteau sans maitre* as being his work.

In fact each of his six Barbican programmes (two of them repeated) includes a work of his own. A sampling from his *oeuvre*, rather than a proper conspectus; they are too disparate to let newcomers join up the dots and discover exactly how the composer has developed over 40 years. (Three early pieces, obsessively recomposed later; from the start of the 1960s, one of the sections of the huge *Pli selon pli* that he has not formally "withdrawn" from performance; two fanciful, ravishing works from later.) Prudently, every concert bills a famous soloist – Barenboim, Pollini, *Mutter*, *Kyung-Wha Chung*, Jessye Norman and Rostropovich, of whom only the last is going to play some Boulez.

Boulez began on Thursday not with a concert, but a master-class "rehearsal" with full orchestra and three novice conductors, which attracted a keen audience. His practical address is fabulously precise – in the early days, indeed, his upraised-palm semaphoring suggested one of those mimes who like to be trapped in invisible glass cages. The technique is smoother now, but just as exact and practical: no show, no soulful "expression". Next to him, every student's beat looked illegibly vague.

The house was full for Sunday's concert, which like all those to come consisted of 20th-century classics that Boulez admits to his canon (many other are sternly excluded). As usual his account of Webern's ground-breaking Six Pieces, op. 6, was magisterial, translucent, luminous. His own *Notations*, based on piano sketches fifty years old, were brilliantly pointed; Stravinsky's *Song of the Nightingale* glittered barbarically (the start was much quicker than he had let his students attempt on Thursday)

Only Bartók's First Piano Concerto, with Daniel Barenboim as soloist, betrayed rough edges. Though it is an increasingly rare pleasure to hear Barenboim at his own instrument, there were a lot of fingerslips this time, as well as lashings of forceful character, and some plain disarray between orchestra and piano. The general *effect was bracing enough*, but it is unusual for Boulez to be content with mere general effects.

The Boulez series continues at the Barbican Hall until March 9.

Theatre/**Sarah Hemming**

Greek tragedy in a trailer park

Alastair Muir

Superb: Eric Winzenried and Holly Wantuch in Tracy Letts' disturbing play, 'Killer Joe'

Purveyors of stage blood must be rubbing their hands with glee, as the London fringe theatres fill up with plays about violence. Hard on the heels of the controversial *Blasted* at the Royal Court comes Tracy Letts' *Killer Joe* at the Bush, another disturbing account of the roots and effects of violence.

Letts' brilliantly controlled play, however, works by stealth. From the opening scene with its grim domestic scenario you realise that something dreadful is bound to happen, but Letts soothes and seduces you with humour, so that when the violence finally does erupt, like the lid blowing off a pressure cooker, it is shocking, terrifying and leaves you reeling from the theatre.

What is salient about this is that we know that most violence in America is domestic: here. Letts, a Chicago actor turned writer, shows you how it comes about and, more importantly, why. And it is only one aspect of a blackly funny but profoundly worrying exploration of moral inadequacy.

Letts sets his play among a Texan family so disfunctional they make the Addams family look exceptionally well adjusted. They live physically in a depressing trailer-home outside Dallas and spiritually in a barren wasteland. As we meet them, Chris, a hopeless youth enthralled to some mob, has decided that the solution to his financial problems is to kill his estranged mother and cash in her insurance policy, and he is busy convincing his father, Ansel, of this fact.

Now anyone with half a brain would see that this idea is fraught with danger, but Chris and Ansel do not have half a brain between them, so they deduce that this is a good plan and engage the services of "Killer Joe", a suave and terrifying bent cop. They reckon without two things: the machinations of Ansel's second wife, and the fact that Killer Joe will take a fancy to the daughter of the family, the sweet but emotionally retarded Dottie. When Joe demands Dottie as a down payment, the men, outrageously, agree, dispensing with her virginity as easily as they do with her mother's life.

The plot is as callous as a Greek tragedy, while there are echoes of other writers – Shepard, Faulkner, even Tennessee Williams. But Letts makes the territory his own, with his assured style and expert manipulation of mood and tension. He is well served by Wilson Milam's highly-charged, muscular production, which is full of grimy realistic detail - a kitchen so filthy your fingers itch for a damp cloth, a fridge empty but for a crate of beer, a television that is always chattering away – but also seethes with atmosphere and sudden surprises. Joe's candlelit seduction of Dottie is like watching a spider move in on a fly, yet it is also astonishingly beautiful. You watch, aghast, as the sophisticated thug takes control of this hopeless, deracinated family.

The cast is superb. Eric Winzenried is thoroughly chilling as the smooth, balding, snake-eyed Joe; Mike Shannon, as Chris, mumbles with inexpressible rage, and Marc A. Nelson, as the dopey, beer-bellied Ansel, drips with inadequacy. Holly Wantuch is acidly funny as Ansel's razor-thin, grasping second wife and Shawna Franks is compelling as Dottie, the only character with an ounce of real power.

It is a powerful, funny and very sad play, and though its portrait of moral decrepitude is exaggerated for comic effect, its point is deadly serious. Letts offers a furious portrait of an under class so hopelessly corroded by poverty and denial, that violence is the only means left of self-expression.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Semiramide: by Rossini. Ion Marin conducts the Royal Symphony Orchestra at 1 pm; Jan 28
● The Royal Concertgebouw Orchestra: Valery Gergiev conducts Bartók and Stravinsky at 8.15 pm; Jan 25, 26, 27
OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● L'Italiana in Algeri: by Rossini. Produced by Dario Fo, conducted Alberto Zedda at 8 pm; Jan 24, 26

■ BERLIN

GALLERIES
Neue Nationalgalerie Tel: (030) 266 2653
● George Grosz, Berlin-New York: exhibition of the German Dadaist who emigrated to the US; to Apr 17
OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Aida: by Verdi. Conductor Stefan Soltesz, production by Götz Friedrich at 7 pm; Jan 25, 28 (6 pm)
● Ballet Evening: conducted by Sebastian Lang-Lessing. Nacho Duato, Glen Tetley and Harris Mandafounis choreograph works by Debussy, Poulenc and Stravinsky at 7 pm; Jan 27 (7.30 pm)
● *Der Fliegende Holländer*: by Wagner. Conducted by Heinrich Hollreiser, production by Gustav Rudolf Sellner at 7 pm; Jan 31,
● Madama Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, *production by Pier Luigi Samaritani* at 7 pm; Jan 26 (7.30 pm)

■ FRANKFURT

CONCERTS
Alte Oper Tel: *(069) 1340 400*
● North West German Philharmonie: with soprano Gail Gilmore, and conducted by Michail Jurowski plays a variety of operatic pieces at 8 pm; Jan 28
● Philharmonia Orchestra London: with pianist Tzimon Barto, and conductor Lawrence Foster plays Beethoven and Brahms at 8 pm; Jan 24
● Saarländ Radio Symphony Orchestra: with pianist Bella Davidovich, and conducted by Marcello Viotti plays Mozart, Chopin and Schubert at 8 pm; Jan 25

■ LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● Pierre Boulez: conducts the London Symphony Orchestra with soprano Jessye Norman and the London Symphony Chorus as part of his 70th birthday celebration. Music includes Berg, Bartók and his own, 'Livre pour cordes' at 7.30 pm; Jan 24, 26, 29
Festival Hall Tel: (071) 928 8800
● Handel: Messiah: Charles Francome conducts the Royal Philharmonic Orchestra and soprano Turid Karlsen, contralto Ruby Philogene, tenor Hirohisa Tsuji and bass Hubb Claessens at 7.30 pm; Feb 1
● Philharmonia Orchestra: conducted by Lawrence Foster plays Rossini, Paganini and Tchaikovsky at 7.30 pm; Jan 30
● *Royal Philharmonic Orchestra*: with soprano Galina Gorchakova and conductor Valery Gergiev plays Wagner at 7.45 pm; Jan 24, 31
● The London Philharmonic: jazz meets the symphony. Lalo Schifrin *conducts this fusion of classical and* jazz traditions at 7.30 pm; Jan 29
● Vienna Philharmonic Orchestra: Bernard Haitink conducts Bruckner's Symphony No. 8 at 7.30 pm; Feb 2
Queen Elizabeth Hall Tel: (071) 928 8800
● The 1995 Mozart Birthday Concert: the Britten Quartet with Norbert Blume (viola) and Leon McCawley (piano) at 3 pm; Jan 29
GALLERIES
Barbican Tel: (071) 638 8891
● Impressionism in Britain: the first comprehensive survey of the development of Impressionism in Britain. Over 200 works by over 100 *artists including Degas, Rothenstein* and Whistler; to May 7
Serpentine Tel: (071) 402 0343
● Man Ray: exhibition of works by the celebrated artist; to Mar 12
OPERA/BALLET
English National Opera Tel: (071) 632 8300
● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Jan 26, 28
● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a mafia boss at 7.30 pm; Jan 27; Feb 1
Royal Opera House Tel: 071 340 4000
● Cosi Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidó. In Italian with English surtitles at 7 pm; Jan 25, 28, 31
● Otello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky. In *Italian with English surtitles at 7.30* pm; Jan 24, 26; Feb 1
● Troilus and Cressida: by Walton. An Opera North production conducted by Richard Hickox and directed by Matthew Warchus at *7.30 pm; Jan 30; Feb 2*
THEATRE
National, Olivier Tel: (071) 928 2252
● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. *With Denis Quilley as Falstaff*, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford at 7.15 pm; Jan 27, 28 (2 pm), 30

■ NEW YORK

GALLERIES
Museum of Modern Art Tel: (212) 708 9480
● A Century of Artists' Books: Exhibition of 140 books from some of this century's foremost artists; to Jan 24
● Kandinsky: Compositions: exhibition includes seven of the surviving 'Composition' paintings; from Jan 26 to Apr 25
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Cavalleria Rusticana / Pagliacci: by Mascagni/Leoncavallo. Production by Franco Zefirelli, conductor Christian Badea at 8 pm; Feb 1
● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 24, 28
● Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 25, 28 (1.30 pm)
● Simon Boccanegra: by Verdi. A *new production directed by* Giancarlo del Monaco. James Levine conducts the opening night cast of Cheryl Studer, Plácido Domingo and Vladimir Chernov at 8 pm; Jan 26, 30; Feb 2
● *Turandot: by Puccini. Produced* by Franco Zeffirelli, conducted by Nello Santi at 8 pm; Jan 27, 31

■ PARIS

CONCERTS
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● National Orchestra of France: with violinist Sarah Chang and conductor Charles Dutoit plays Ravel, Lalo and Stravinsky at 8.30 pm; Jan 24, 26, 27
● Viennese Philharmonic Orchestra: Bernard Haitink conducts Bruckner at 8.30 pm; Jan 30

■ WASHINGTON

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GALLERIES
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● A Basketmaker in Rural Japan: examples of all 103 designs by Hiroshima Kazuo, the worlds greatest basketmaker; to Jun 9
OPERA/BALLET
Washington Opera Tel: (202) 416 *7800*
● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Feb 2
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 8 pm; Jan 25, 30; Feb 1
● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 26, 29 (2 pm)
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Arena Stage, Fichandler Theater Tel: (202) 488 3300
● Long Day's Journey into the Night: Eugene O'Neill's classic American drama, directed by Douglas Wager at 7 pm; to Feb 5 (Not Mon)
Studio Theater Tel: (202) 332 3300
● Conversations with My Father: Herb Gardner's autobiographical work, directed by John Going. Sun 2pm and 7pm otherwise at 8 pm; to Feb 5 (Not Mon)

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Terror takes its toll

Julian Ozanne on pessimism in Israeli-Palestinian peace talks

Hopes for a lasting peace between Arab and Jew are at their lowest point since the Israeli-Palestinian peace accords were signed in September 1993.

Sunday's suicide bombing by Palestinian extremists, which killed 19 Israelis at a bus stop, has aroused fears among Israeli Jews that the peace process is undermining rather than improving their safety. President Ezer Weizman, an ardent supporter of the peace talks in the past, captured the gloomy public mood when he called for a suspension of the peace process until the Palestinians make better efforts to curb militants.

"We call it a peace process which we hope to achieve. But right now it's a bloody process and with bloody processes you don't achieve peace," Mr Weizman said.

The Israeli cabinet responded by suspending negotiations on some issues, including the release of Palestinian prisoners. It also sealed off the West Bank and Gaza Strip and issued new ultimatums to Mr Yassir Arafat, the Palestinian leader, demanding that he crack down on Islamic extremists.

Israel's punitive measures, however, are unlikely to help the peace negotiations. The talks are hampered not only by the actions of Islamic extremists opposed to peace with Israel, but also by the expansion of Jewish settlements on occupied Arab land. The Israeli government, furthermore, is reluctant to honour its commitment to redeploy troops out of Arab towns on the West Bank ahead of Palestinian elections.

Security has always been the most important issue for Israeli governments. Israelis backed the peace process because they believed it would reduce Arab-Jewish violence. But the campaign of bombings and attacks by *Palestinian* Islamic militants has sapped Israeli morale and turned the country against the agreement. Sunday's bombing, the fourth big attack in nine months, brought the Israeli death toll from such attacks since the 1993 peace agreement to 116.

Political commentators and newspapers usually supportive of peace yesterday latched onto Mr Weizman's call and the discontent with the government. An editorial on the front page of Yediot Ahronot, the biggest selling Hebrew tabloid, said: "The way it looks the terror will go on and perhaps the negotiations will go. The government will be finished."

Reuter

Spirit of mistrust: an Israeli soldier gestures to a Palestinian

Mr Amnon Rubinstein, the leftwing education minister, believes Mr Arafat has failed to live up to his security obligations. "He must adopt a total turnaround on security issues . . . or jeopardise the entire peace process," he said yesterday.

Yet forcing Mr Arafat into a war against his own people does not find favour with Palestinians. "Israel is demanding the impossible," said Mrs Hanan Ashrawi, a Palestinian leader. "A crackdown against so-called extremists can only undermine Arafat even more and further discredit the peace process among our people."

Security concerns are also behind the government's unwillingness to withdraw troops from the West Bank. Military officers have advised against it, saying the experiment with self-rule in Gaza has proved that without an Israeli military presence in the West Bank Islamic extremists will find it easier to launch attacks.

Mr Rabin and Mr Arafat have met several times to seek ways out of this impasse. But they have yet to find a way to reconcile Israel's security reservations with the Palestinians' determination not to vote under the barrels of Israeli *guns*.

The delay in extending self-rule to the West Bank has allowed Jewish settlers and rightwing politicians inside and outside the government to force the issue of Jewish settlements and Jerusalem onto the government's agenda.

Mr Rabin and Mr Arafat had hoped to sidestep the issue until final negotiations begin in 1996, but a recent flurry of Jewish construction in the occupied West Bank has made the settlements a pivotal issue in the peace process.

Nothing worries the Palestinians more than Jewish settlers consolidating and expanding their presence on Palestinian land. Mr Arafat fears that the real intention of the settlers is to fragment the West Bank into islands of Jewish and Palestinian territory and so foil the emergence of a geographically coherent and independent Palestinian state.

The government promised in 1992 to freeze publicly-funded construction of new housing in Jewish settlements everywhere except occupied Arab east Jerusalem. But it lacks the will to confront the 140,000 West Bank Jewish settlers and their supporters in Israel.

Last Sunday's cabinet meeting fudged the issue. It supported a freeze on settlement expansion but set up a ministerial committee to monitor exceptions to the policy.

Many of these obstacles could have been overcome had the government maintained the momentum of the peace process.But Mr Rabin's determination to prolong the process to test the viability of self-rule created a vacuum which extremists on both sides have ably exploited.

Palestinian extremists used the delay to argue that Israel never intended to end the occupation and to launch their campaign of bombings and attacks; Jewish settlers saw the government's public reluctance to withdraw troops from West Bank towns as a go-ahead to consolidate claims to land they see as "biblical Israel".

The government's peace policy has thus become a victim of its own delay. Collapsing public support has narrowed Mr Rabin's room for manoeuvre. With a general election due in 1996, senior members of Mr Rabin's Labour party are inclined to respond rapidly to changes of public opinion, a tendency that has fuelled party and cabinet rebellions on issues from the peace process to economic policy.

"The peace process becomes much more difficult when there is a feeling that Rabin has lost his way both inside the government and in the country," said Mr Yossi Alpher, former head of the Jaffee Centre for Strategic Studies in Tel Aviv.

Both Mr Rabin and Mr Arafat are finding it increasingly difficult to control the events which are now driving the peace process. Yet neither man can easily withdraw from a process on which each has staked his political future. The danger is that their inability to move forward or back will embolden extremists on both sides of the Arab-Israeli divide.

Joe Rogaly

Major's triple test

Throw dynamite or blast a shotgun at him, sandbag him with a Euro-revolt or drown him in the depths of the opinion polls – it makes no difference. Whatever fate heaps upon his head, however loud the explosion, Mr John Major rises again, last year bedraggled, this year smiling broadly, like Tom in the Tom and Jerry cartoons. The British prime minister has surpassed himself in the basic test imposed upon all politicians: he is a master of survival. Heaven knows how long he can keep this up, but the answer hardly matters. It is what he is doing while not running for cover that counts. Or, to put it bluntly, is he any use, or is he merely clinging to office?

The answer, which historians alone may deliver with confidence, will depend on how steadfast he is as the next general election approaches. Meanwhile, we shall forbear to rehearse the story of government vacillation to date. Anyhow, there is not enough space for it all. Likewise, we need not record the full statistical measure of contempt in which the cabinet is held. We may simply acknowledge that most of the electorate regards it as a colloquy of cowardly charlatans. Mr Major is better than that, but his political courage cannot be taken for granted, not in all circumstances.

There are at least three areas in which the prime minister's mettle will be put under stress *this year. In Northern Ireland* he has to call the Unionists' bluff, or risk forfeiting the peace that he has worked so hard to bring about. Overall, he must resist the temptation to let inflation rip in an effort to regain popularity. Abroad, he should, but will not, establish Britain as a willing member of the European Union. In short, we may trust the government on the economy, sort of, and, fingers crossed, might do so on Ulster. Britain's position in the EU is another matter.

Oh, it may be protested, but the party is split. So it is. What of it? Would the rebel faction of Europhobes really bring Mr Major down this week or next, thus inviting a Canadian-style sweep-out of Conservatives? The same question applies to the Ulster Unionists, who last year saved the government from just such a fate. They have seen how the Euro-rebels have the prime minister by the nose, and drawn the obvious conclusion. Over the weekend Mr James Molyneaux warned against the tabling of an Anglo-Irish "framework agreement" on Ulster if it contains clauses that imply the establishment of joint authorities – north and south – over the six troubled provinces.

If the supposedly Europhile chancellor perfects his act, he will be in line for the Tony Blair award for political obfuscation

Yet the leader of the Official Unionists derives some of his leverage from the very precariousness of the Conservatives' position in the Commons. He would not be so influential in a house with a three-figure Labour majority, which current opinion polls suggest is at least a risk should an election be forced in the near future. He can scupper any initiative of a *UK prime minister by refusing* to negotiate on the details, but Unionist support for the Conservative government will not be lightly withdrawn.

Mr Major should dare to press ahead with whatever draft agreement he thinks might eventually win acceptance as a basis for negotiation, despite what the various varieties of Unionist may say for their own internal party reasons. He may yet do so. On this his track record is good: every card he has played so far has been the right one, at the right time. Until he botches an important trick, which he would do were he to produce a futile framework agreement, we may reasonably expect that he will hold his nerve.

The benefit of the doubt should also be given to the government's economic strategy. One reason is that the instruments of control are not in political hands alone. If Mr Clarke or Mr Major deviates from the counter-inflationary strategy they have pursued with dogged determination, the governor of the Bank of England might cry havoc. The first test of ministerial resolve will be the monetary policy pursued this year; the next the degree of "prudence" attributable to pre-election tax cuts, if they come in November.

The government's European strategy cannot be defended. The prime minister who placed his country firmly "at the heart of Europe" when he entered No 10 Downing Street is, 50 months later, grovelling before the Europhobes who want withdrawal from the EU. These rebels hover on the borders of his party, supported by an unknown number of Tory anti-European constituency workers, who thrill to wartime memories of "very well, alone". A strong leader would brush their revolt aside. It is a nothing. A faction of backbenchers has been denied the Tory whip. This gang of nine would not fill a Cadillac limo. Its members promote themselves as heroes of little England, yet Mr Major's cabinet is prostrate.

"I'm a Gaullist, really," Mr Kenneth Clarke said on the BBC's *Breakfast with Frost* at the weekend. This is the supposedly Europhile chancellor who has long proclaimed *his* belief in a single European currency. Today he equivocates. "I can think of circumstances where I might say yes . . . ," he says. "I can think of circumstances where I might say no . . ." If he perfects this act, Mr Clarke will be in line for the Tony Blair award for political obfuscation. Hot on the chancellor's heels comes Mr Douglas Hurd, fleeing in the same direction. The foreign secretary spoke to his fellow EU foreign ministers in Brussels, but he was addressing the Euro-rebels. He called for "further subsidiarity, further deregulation".

Mr Clarke and Mr Hurd will have told themselves that they have not sold the pass. They are merely defending the national interest while remaining in the EU. Yes, but it is not the whole story. Granted, when you strip away the pretentious pan-European verbiage, every important European head of government with the possible exception of Chancellor Helmut Kohl is Gaullist at heart. Enlargement, minimum powers at the centre, and maintenance of national sovereignty are not unworthy aspirations.

Pumping up the anti-Brussels rhetoric, with not a thought given to stating the positive case for the development of the EU, does everyone a disservice. The prime minister, the chancellor and the foreign secretary cannot hold high the banner of EU membership while bending on one knee to lick Mrs Teresa Gorman's boots. This is no cartoon; it is a tragedy.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "fine"). Translation may be available for letters written in the main international languages.

IMF should not fund Russia

From Professor Diana Maurer.

Sir, I cannot agree more with your views expressed in your editorial "IMF dilemma over Russia" (January 20). In fact, there should be no dilemma at all on the part of the International Monetary Fund over giving funds to Russia. The IMF should simply give no funds whatsoever.

It is a bad policy, bad business and bad psychology for the west to be timid with the Russians, giving them billions of dollars for supposed aid while they are killing their own citizens. In fact, it appears the west is paying Russia for executing Chechen civilians.

This policy achieves nothing but plays into Russia's hands. Western leaders should be co-operating on how to punish the Russians, not how to reward them for cluster bombing civilians in Grozny. Anywhere human rights are not only violated but where civilians are brutally murdered the world community should step in and excommunicate the villain and not reward him for genocide.

Since ordinary people in Russia are going hungry and are nutritionally, spiritually and financially depleted, it is very clear that any funds the IMF had approved or will approve never went to the people for whom they were intended. Rather than using IMF funds for paying working people so that they can make ends meet and feed starving pensioners and children, Yeltsin is funnelling the funds directly into the tanks and bombs that are showering Grozny with death and destruction.

Since the people of Russia do not see the benefit of even 1 per cent of the IMF funds it makes no difference whether the IMF gives the funds or not. Stalin was killing Chechens 50 years ago. Yeltsin is killing them now in full view of the world. The only difference is Stalin never got a $6.5bn reward from the west and no one called it democracy.

Diana Maurer,
London Terrace PO,
PO Box 20295,
New York, NY10011, US

Universal postal service cannot work in a totally free market

From Mr Alan Johnson.

Sir, Your editorial on postal services ("End Europe's post cartel", January 18) was disappointing in that it spoilt a perfectly valid argument about terminal dues by associating this with an attack on the limited monopoly granted to postal administrations throughout the world.

In particular, it makes the error of comparing postal services with telecommunications, as if they were identical industries.

Leaving aside a host of other differences, while telecommunications administrations had a universal service obligation, this has never been linked to a uniform tariff. Neither are there the same low entry costs into the telecoms market which allow postal competitors to cream off lucrative traffic to the detriment of the network as a whole.

On June 11 1992 the European Commission produced a report which addressed all the points contained in your leader. In contrast to its 1987 report on telecommunications, which called for liberalisation, the report on postal services accepted that there needed to be a "reserved area" without which there could be no effective, affordable and universal postal service. This same conclusion was reached by two Monopolies and Mergers Commission reports in the 1980s.

Having cast around the world to find an example of postal liberalisation, you can find only three cities in Sweden – a country where there is only one delivery Monday to Friday and none at all on Saturday.

There is a common consensus among all interested parties that affordable, accessible postal services cannot be provided in a totally liberalised environment.

A benefit of EU membership is that customers can post a letter to anywhere within the Union for 25p. Thus a letter from London to Athens can be sent at the same price as a letter to Aylesbury. Liberalisation will make much geographical cross subsidies unviable domestically as well as internationally.

As for the competitors, at least the most reputable have been frank enough to admit (to quote DHL's submission to the trade and industry select committee) that it would "not be possible for a private company to guarantee a universal postal service within the UK".

This may offend some of the free market advocates who write your editorials, but it is a factual and honest assessment of the situation.

What is required is an intelligent debate about postal services – not a shallow attempt to apply the theory of telecoms liberalisation to European postal services.

Alan Johnson,
general secretary,
Union of Communication Workers,
UCW House,
Crescent Lane,
London SW4 9RN, UK

Markets argument moves on to swampy ground

From Mr Joe Roeber.

Sir, The debate on the morality of the market system is valuable ("Adam Smith and the virtue of capitalism", January 16 and Letters, January 20).

But to talk about the morality of markets *per se* is to divert the debate about ethics and economics into swampy ground. Markets are neither moral nor immoral; they are a dumb piece of machinery. They don't "know" anything, still less "do" anything of their own volition. It is not the markets that misbehave; it is the players who misbehave whenever they think there is money to be made. Hence, intervention in the functioning of a market to force a different outcome is almost always ineffective, akin to re-calibrating a thermometer in order to cure a fever. Governments should only be interested in markets to make sure they do their job; are efficient and transparent; and cannot be manipulated.

The boosters claim that markets offer solutions to complex economic problems. The critics say that they are to blame for all the ills of our society. Both are surprising misrepresentations of what the things exist for, and how they operate; economists, of all people, should know better. Markets function perfectly well at any price level; they mediate in the transactions between poor people as efficiently as between the rich.

It is when interested parties are able to manipulate and abuse them that the government should be interested, and it is to prevent these abuses that they should intervene, not in the workings of the markets themselves.

Joe Roeber,
82 Carlton Hill,
London NW8 0ER, UK

Means to wrong end

From Mr Anthony W Shone.

Sir, The electronic aids that make it possible to monitor markets minute by minute, although very impressive, are a mixed blessing. With such frequent updating, does the FTSE Index really give the intended information on overall market sentiment?

Volatility of markets is a frequently discussed topic nowadays. If minute by minute adjustment was foregone and indices were adjusted, say, every two hours, the peaks and troughs would be eliminated and overall sentiment more clearly seen.

Just because the means exist to adjust on a running basis it does not mean to say that they have to be used.

Anthony W Shone,
Wilson Foods,
The Corn Exchange,
Fenwick Street,
Liverpool L2 7QS

Tax should be imposed on pollution instead of employment

From Mr James Skinner.

Sir, Day after day you report on employment cuts made in the name of "increased efficiency" while politicians wring their hands over persistent unemployment figures and bewail the failure of their job-creation policies.

How *refreshing* to read at last one article stating the obvious fact that taxing labour creates unemployment (Personal View: "Wise to lower the cost of low paid labour", January 20).

But Professor Alec Reed fails to pursue his logic and only nibbles at the edge of the problem. Transferring taxes from employment to "speeding, smoking and drinking" is a good start.

It should be accompanied by a staged reduction in income tax, National Insurance and VAT, compensated by increasing taxes on pollution and on non-renewable energy and raw materials levied at source.

The arguments in favour of this kind of ecological tax reform are widely understood and accepted in Germany and elsewhere but are studiously ignored by politicians in the UK. Perhaps Professor Reed's glimpse of the obvious may encourage a change.

James Skinner,
Heron House,
Chiswick Mall,
London W4 2PR,
UK

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FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Tuesday January 24 1995

Strong drugs, no side-effects

The ailment is clear, but the choice of remedy raises tricky questions. In launching its £9.4bn bid for Wellcome, Glaxo is proposing to create the world's largest drug group. It also believes that it has found a solution to the problems facing the two rivals. Each faces the imminent expiry of patents on its best-selling drug. At the same time, drug purchasers worldwide are using their growing muscle to whittle away at the pharmaceutical industry's enviable margins.

For the companies themselves, there is a strong argument that the proposed deal makes sense. There is, certainly, room for some scepticism that buying Wellcome is really the best use Glaxo can make of its capital. After all, its management made clear for years its preference for organic growth, driven by heavy investment in research and development. Nonetheless, there is clearly room to cut costs: investment analysts estimate that about 90 per cent of the two companies' R&D overlaps. The deal might also shake up some of Wellcome's sleepier corners – its failure to move aggressively into genetics is striking, for example.

The tougher questions, however, concern whether the merger of two large research-based companies is in consumers' interests. Given the pressures on the industry, this may well not be the last case. The worry is that such deals will reduce competition in worldwide pharmaceutical research, and will squeeze overall spending on R&D.

Misplaced anxiety

However, the anxiety is misplaced. In the UK, concerns that spending on basic science will be squeezed are partly mitigated by the money which Wellcome Trust, the world's largest medical research charity, would receive from its 39.5 per cent shareholding in Wellcome. The trust could expect to get £3.5bn – £1bn in cash and the rest in Glaxo shares – and some would make its way into university research.

There is a case, too, that even if worldwide spending on pharmaceutical R&D is squeezed by the industry's restructuring, the increasing pressures on companies may increase the efficiency with which they extract marketable products from that spending, and reduce the time they take to bring products to market.

Nor would the deal necessarily damage international competition. As drug companies themselves lament, none has more than 3.9 per cent of the worldwide market. True, Glaxo and Wellcome have higher shares of certain therapeutic categories, a point which competition authorities will have to consider. In particular, Glaxo and Wellcome currently hold two of the leading treatments for Aids and HIV, although rivals are developing other compounds.

Targeted research

But an important reason for keeping calm about potential threats to competition is that new competition is emerging fast, thanks to changes in the nature of biological science. The explosion in knowledge of genetic engineering in the past two decades – both in theory and in techniques – means that drugs can be designed more precisely for their function. Research can thus be more easily targeted, and technology to develop new drugs has shrunk in scale and expense.

Those changes are themselves prompting a restructuring of the industry. Barriers to entry are falling, and small laboratories are setting up, with their eye on creating just one or two drugs. Big groups are finding it hard to hold on to some of their brightest people. Instead, those scientists are spinning off into their own companies where they have more freedom, and the prospect of wealth if their discoveries are successful. The growing sophistication and size of the venture capital industry has made it easier for such start-ups to raise up capital. Government grants have provided another source of funds, as have the pharmaceutical giants themselves, in exchange for stakes. Glaxo itself has about a dozen such alliances.

Unlike many recent deals in the industry, Glaxo is proposing a horizontal merger, rather than a vertical pairing with a purchaser of drugs. As such, the deal is a vote for the value of science. Glaxo clearly believes that R&D, properly directed, can deliver adequate return. The deal is a symptom of the revolution under way in the industry, but not one that threatens consumers' health.

Controlling land mines

Sophisticated weapons of mass destruction are not the only sort of armament whose proliferation is a deadly threat to the planet. There is another instrument of war whose effects are devastating because it is cheap and simple: the land mine. Something needs to be done to curb their uncontrolled spread. The question is what.

The United Nations estimates that over 100m land mines have been sown in more than 60 countries, while another 100m have been stockpiled in readiness for use. These weapons kill more children than soldiers. It has been estimated that they claim 800 – mostly civilian – lives a month and deprive many thousands more of limbs or eyesight. Many of these casualties occur years after hostilities have ceased.

Mines are the scourge of the poor, but also the poor man's weapon, since they cost only a few dollars each. In recent years, the number of mines sown in the world has been increasing at an annual rate of more than 2m, while the average number of mines cleared was only 100,000. Mine disposal costs up to $1,000 per unit. So, in round figures, the total number of active mines is rising by 1.9m per year, and the aggregate cost of destroying them is rising by nearly $2bn.

These considerations have prompted Mr Boutros Boutros Ghali, UN secretary general, to call for a ban on the production, stockpiling and use of land mines. He argues that their devastating human consequences far outweigh any military benefits. Last autumn, US President Bill Clinton also made an idealistic, perhaps utopian, call for the total elimination of land mines.

Unenforceable

It is easy to agree with the desirability of that goal, much harder to see how it could be achieved. Mines have become such an integral part of modern warfare that the armed forces of all major countries, including the US, insist on reserving the right to use them. They are produced in over 40 countries, most of them adept at camouflaging arms factories. There is good reason to hesitate before concluding any more agreements which risk making an ass of international law because they are manifestly unenforceable.

A UN meeting in Geneva last week agreed in principle on some intermediate steps which should alleviate the worst effects of land mines on non-combatants. These include a ban on the use of hard-to-detect plastic mines, and a stipulation that most mines be fitted with self-destructing devices, so they are less likely to kill civilians after hostilities end. These measures, welcome as far as they go, look certain formally to be adopted at the UN in the autumn.

Rigorous code

As well as supporting the UN's efforts, the US is working separately to draw makers and users of mines into a more rigorous code of conduct. The reason Washington gives for thus bypassing the UN is tactical: if all the most far-reaching proposals on land mines are built into a UN convention, then many countries will refuse to sign it and be left outside all regulation. Under the code of conduct, user countries would declare details of their current mine stocks and promise to increase the percentage of self-destructing devices at a given rate.

Because self-destructing mines are much more expensive than long-life ones, developing countries have argued that they cannot enter the US-proposed system unless rich countries help them.

But which rich countries will provide this help?

The US Congress, and the governments of most western countries, have announced a self-imposed ban on the export of all mines, at least for a trial period. The UK has declared an indefinite moratorium on the export of long-life mines, while keeping the right to sell self-destructing devices. On the face of things, Britain's more nuanced position has left the moral high ground to others. But if the US achieves its goal of convincing poorer countries to upgrade their mine holdings, the self-destructing devices will have to come from somewhere.

Mines are evil devices, but huge stockpiles will continue to be sold and sown. Those who wish to limit their worst effects would do well to focus on persuading countries to renounce the crudest kind of mine, rather than the more distant goal of a total ban.

Glaxo's plan to buy Wellcome will bring economies of scale but also problems of integration, says **Daniel Green**

Medicine for a changing market

Glaxo, the UK drugs company, is used to superlatives. It is Europe's largest drugs company, and number two worldwide in terms of sales.

Yesterday, it announced a takeover bid for Wellcome, the fourth largest UK-owned pharmaceuticals company, that could add further records to its name. It aims to create the world's biggest drugs company with annual sales of almost $12bn.

If successful, the bid is will be three times bigger than the previous largest by one UK company for another – and the third biggest bid in the world.

Success seems likely, since Glaxo has already agreed to buy the 39.5 per cent of Wellcome's shares owned by Wellcome Trust, the wealthy UK charitable foundation. Negotiations with the trust over the purchase that began at the start of the month ended with the completion of the paperwork on Sunday night.

"We had a 'sign or not this weekend' plan," says Sir Richard Sykes, Glaxo's chief executive. He called Mr John Robb, Wellcome's chairman and chief executive, in the small hours of yesterday morning to tell him of the bid.

Yesterday's bid followed a pledge made by Sir Richard last April that his company would be transformed within a year. He made this prediction confidently, knowing of the growing pressures on the pharmaceuticals industry to consolidate.

The industry is remarkably fragmented, with no single drugs company having more than 3.9 per cent of the world market – a figure that has barely changed for decades. Yet the industry has prospered because in many markets outside the US, its prices were guaranteed by government purchasing agreements.

In the US, where healthcare is not regulated by government, drug prices were equally buoyant as doctors and hospitals competed with each other to offer the latest and best treatments – almost irrespective of cost.

In the 1990s, all that has changed. Those who pay for drugs – health insurers and governments – have faced pressures to cut costs. They have found they could make big savings by driving hard bargains with drugs companies.

Profit margins began to fall, and the industry embarked upon a wave of mergers, acquisitions and closures. Some sought to acquire competitors to gain economies of scale, while others bought distributors to bring them closer to the customers.

During 1994, more than $30bn changed hands in corporate acquisitions. The biggest deal was the $10bn acquisition of American Cyanamid by rival drug maker American Home Products. Glaxo's UK rival, SmithKline Beecham, spent more than $7bn on buying DPS, a US drug distributor, and Sterling Health, the US drug maker.

Glaxo, too, was on the acquisition trail, and was believed to be interested in a drug distributor. But its bid targets slipped out of reach as others offered ever higher prices, says Sir Richard.

Wellcome had long been rumoured as a potential bid target. At 19 in the world rankings by sales, it was seen as lacking the size to make economies of scale to preserve its profit margins in an increasingly cost-conscious business.

Until 1992, the company was protected from takeover by the stake held by Wellcome Trust, which then owned 75 per cent of the shares. Under the umbrella of a charitable foundation, the company was notorious for its slowness to exploit its products.

"We all agreed that it took too long for us to get a product from launch to the point of maximum sales," says Dr Trevor Jones, research and development director at Wellcome until last year.

By the late 1980s, even the trust was aware change was needed. Mr John Robb, its chairman and chief executive, had been recruited from UK rival Beecham in 1989 to inject a more commercial culture. The fortunes of Wellcome improved enough for the charitable trust to want to cash in some of its shareholding, and it reduced its stake to less than 40 per cent in 1992.

For Glaxo, Wellcome was seen to be about the right size, says Sir Richard. "We believe this is a manageable company to integrate with our own; anything bigger would have been difficult."

He says that buying Wellcome will help eliminate the inefficiencies in both companies. Most of those inefficiencies are likely to be in research and development.

Glaxo spent £858m on R&D in the year to June 1994 while Wellcome spent £326m in 1993 (the latest year for which figures are available).

The two companies' research programmes overlap in six medical areas, including the treatment of Aids, cancer and migraine.

"There is a lot of opportunity for rationalisation there," says Sir Richard.

He will be anxious to concentrate research at Glaxo's newly-completed £700m R&D centre at Stevenage, north of London. Wellcome's UK research centre at Beckenham, south-east London, could be vulnerable to cuts or closure.

In the US the task of rationalising research facilities may be even easier: both companies have their North American research headquarters in Research Triangle Park, North Carolina.

The two companies may also be able to combine their sales and marketing efforts, which cost roughly twice the R&D budget. The potential for rationalisation here is more limited because the sales teams sell different products – Wellcome is largely dependent on anti-virus drugs while Glaxo's strengths are in ulcers, asthma and cancer.

If the rationale for the deal is clear, the likely problems are clearer.

First, Glaxo has no experience in integrating acquisitions, having not made one since 1977. During the company's rise to world number two in the pharmaceuticals industry in the 1980s, Glaxo prided itself on internally-generated growth.

Not only does Glaxo have no experience in integrating acquisitions, but Wellcome's products are largely in anti-virus medicines, an area Glaxo knows little about.

Second, the merged company will be reliant on income from two drugs that are now reaching the end of their patent protection.

Glaxo has relied largely on the sales of Zantac, the ulcer drug that is now the world's best-seller. It accounts for more than 40 per cent of Glaxo's sales revenues. Yesterday's offer included a trading statement saying that Zantac sales were falling for the first time since the product was launched in 1981.

Zantac's US patent protection is running out, and could expire as early as in 1997 (depending on the outcome of legal actions). That is also the year in which the patents run out on Zovirax, Wellcome's top seller which also accounts for more than 40 per cent of the company's sales revenues.

Recent patent expiries in the US suggest sales revenues could fall by three-quarters within a few months as non-branded rivals are launched. Sir Richard claimed new products will be able to replace revenues from Zantac and Zovirax. These include ranitidine bismuth citrate, a replacement for Zantac, and Valtrex, a more effective anti-virus drug – neither of which is yet approved by pharmaceutical regulators.

The new company will have other weaknesses. Both Glaxo and Wellcome have failed to crack the lucrative Japanese market, which accounts for around 18 per cent of world pharmaceuticals sales. By ranking, they languish at 44th and 70th in Japan.

The two companies also have adopted different strategies for survival in the past. For a decade, Glaxo has concentrated on prescription-only drugs, while Wellcome established itself in the market for over-the-counter (OTC) drugs that can be sold without prescriptions. The two strategies require different marketing approaches.

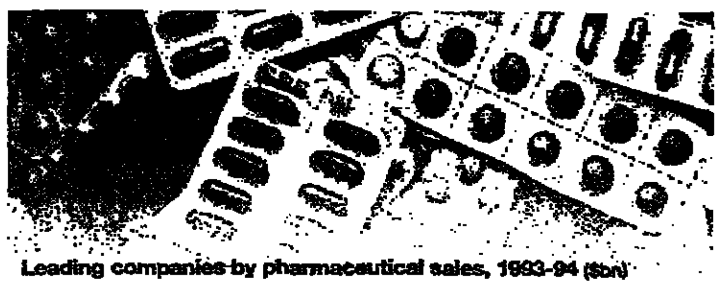
With yesterday's offer, Glaxo has committed itself to the new strategy: buying drugs companies rather than distributors, and a return to the over-the-counter market. It stands alongside American Home Products with its American Cyanamid purchase, and Switzerland's Roche, the third biggest drugs company, which last summer spent $5.3bn on Californian rival Syntex.

The alternative strategy has been adopted by Merck, currently the world's number one drug company, UK rival SmithKline Beecham and Eli Lilly of the US. These three have spent more than $12bn between them on buying drugs distributors.

Sir Richard is unrepentant. He dismisses buying distributors as "fashionable".

But he agrees with his rivals that consolidation is necessary and inevitable. Yesterday's bid will almost certainly not be Glaxo's last.

Glaxo and Wellcome: a new giant?



Leading companies by pharmaceutical sales, 1993-94 ($bn)

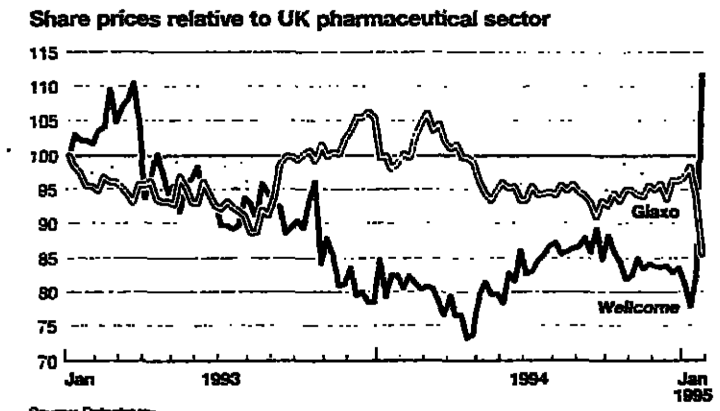
Rank	Company	Nationality	
1	Merck and Co	US	83.6*
2	Glaxo	UK	100*
3	Bristol-Myers Squibb	US	57.2*
4	Hoechst	Germany	21.6*
5	Roche	Switzerland	54.6*
6	SmithKline Beecham	UK	57.7*
7	Pfizer	US	66.6*
8	Ciba	Switzerland	33.3*
9	Sandoz	Switzerland	46.7*
10	Bayer	Germany	19.3*
19	Wellcome	UK	100*

* Pharmaceuticals as % of total sales

Scale: 0 1 2 3 4 5 6 7 8 9

Source: PJB Publications

Share prices relative to UK pharmaceutical sector



Source: Datastream

Marriage made in the lab

The R&D programmes will benefit, says **Clive Cookson**

Never before has science played such an important part in a large UK takeover bid.

Sir Richard Sykes, Glaxo's chief executive – and one of the few career scientists at the top of UK industry – repeatedly emphasised research and development yesterday when he outlined the reasons for buying Wellcome.

Neither Glaxo nor Wellcome individually can expect to produce the flow of innovative drugs required to sustain a leading pharmaceutical group in the more competitive environment of the coming decade. By combining R&D programmes – with a total budget of £1.2bn a year – they can be more productive.

Dr Trevor Jones, former Wellcome research director and now head of the Association of the British Pharmaceutical Industry, calls the bid "the clearest possible vote of confidence in Glaxo's future as a wholly science-based company.

"Other large pharmaceutical groups such as Merck and SmithKline Beecham have decided to spread the risk by vertical integration into related areas such as health management, but Glaxo will continue to risk everything on its research," Dr Jones says.

Glaxo and Wellcome have very different portfolios of existing products: Glaxo sales are dominated by ulcer and asthma drugs while Wellcome depends on anti-virals (to treat herpes and Aids).

Their R&D programmes, in contrast, are remarkably similar. Both companies are making a large effort to find new drugs in the same categories: anti-infective, anti-cancer, cardiovascular and central nervous system.

That overlap would enable a combined Glaxo Wellcome to make large savings by rationalising R&D facilities and still outspend all competitors in its chosen fields of research.

In anti-viral research, GW would be far ahead of the field, with promising new drugs in development for herpes (Wellcome), influenza (Glaxo), hepatitis (both) and Aids (both).

Patients with HIV, the virus that causes Aids, would benefit from a takeover if it accelerated the development of a "combination therapy" pairing Glaxo's experimental 3TC with Wellcome's established AZT. 3TC is also active against hepatitis, for which it will complement Wellcome's Wellferon.

Migraine treatment is another area in which Glaxo will significantly strengthen its competitive position by buying Wellcome. Clinical trials are showing that Wellcome's experimental drug, 311C, could be a powerful competitor to Glaxo's Imigran – much the most effective migraine drug on the market. At the same time Glaxo is working on naratriptan, its own successor to Imigran.

"We will not be developing two drugs of the same type," Sir Richard made clear yesterday. In other words, GW will evaluate 311C against naratriptan, proceed with the more promising prospect and drop the other.

One general field in which Glaxo has outclassed Wellcome is the application of genetics research to drug discovery. Glaxo has set up a network of research alliances with US biotechnology companies and is feeding the results successfully into its own research centres in Research Triangle Park (US) and Stevenage (UK). The merger will extend those benefits to Wellcome.

Another hot technology in which Glaxo is a world leader – and Wellcome a potential beneficiary – is "combinatorial chemistry". This enables researchers to make millions of new molecules and screen them for pharmaceutical activity.

However, Wellcome does have world-class scientists working at its Beckenham (UK) and Research Triangle Park laboratories. For example, Dr Salvador Moncada helped make one of the most important biological discoveries of the past decade: the vital role played in the human body by nitric oxide (formerly known only as an industrial pollutant). Glaxo will have to ensure that ill-judged cost-cutting does not drive them elsewhere.

OBSERVER

The power of suction

■ Should Eurobond issuers employ the services of a seismologist? Sweden's Electrolux must be wishing it had, as it ponders the fallout from a rather novel financing completed in early 1990.

The cause of the problem is a $50m seven year bond, placed privately with a Japanese insurance company.

One of its conditions is that the investor can put the bond back to the issuer, at par, in the event of an earthquake above a certain point on the Richter scale and within a 100km radius of the city halls of four cities – and one of those is Osaka.

The tremors of the Kobe earthquake qualify, but Electrolux says it's "not sure where the epicentre is on the map".

A quick glance at the atlas suggests Electrolux will need some ingenious lawyers if it is successfully to make out that any part of Awaji Island – where the earthquake was centred – is further than 100km from Osaka.

Seamless drivel

■ If Wolford, the manufacturer of luxury tights, is going to have much success in appealing to women as a "lady share" once it floats on the Viennese and Parisian stock exchanges, it might rather have to update its annual report – maybe by taking it into the twentieth century.

Here are some extracts from the 1993-94 report: "'Woman' – the unending, timeless archaic and yet at the same time most modern, complicatedly simple, and fascinating phenomenon, the phenomenon that shapes our culture and all we can do, awakens our senses, teaches us our responsibilities for our lives together, and grants us the gift of visions for the way things might be – or might become.

"Our destiny is bound up with that of women. No product can express this with greater sensitivity than Fatal (Wolford's new seamless tights).

"On the scale of a worldwide innovation, Fatal is something of a challenge which we have set ourselves, a challenge to improve still further what we are already familiar with, and at the same time to dare what is completely unknown."

Sorry guys: I'm wearing socks this year.

Newts' news

■ Peter Bernstein, executive editor of the magazine US News & World Report, along with his wife Amy, has collected the wit and wisdom of Newt Gingrich, the new Republican speaker of the US house of representatives. 'Quotations from Speaker Newt: The Little Red, White and Blue Book of the Republican Revolution' has 182 pages of items such as this, from Gingrich in 1985: "It's not altruism! I have an enormous personal ambition. I want to shift the entire planet."

"For a politician, he hasn't contradicted himself very much," says Bernstein.

Now tell us: is that a good or bad thing?

Lucky Lucena

■ Last year Brazil's election authorities and supreme court ruled Humberto Lucena should lose his senate seat for illegally using its printing press for his election campaign.

Congress has now amnestied Lucena and other guilty senators: Lucena has been asked to pay the $15,210 printing bill.

Sadly, he says he doesn't have that much money. So his fellow amnestees have pooled their resources to pay the bill. Lucena's impoverished condition is regrettable. Still, his senatorial annual salary has just jumped more than 100 per cent, taking it to about $140,000. Maybe times are looking up?

Grecian earner

■ George Zavvos might have appeared to possess a prime qualification for a rising conservative Greek politician.

He has good connections in Brussels – important in a country where EU hand-outs amount to five per cent of GDP – as well as a sound background in finance, having helped draft the second banking directive as a Commission employee.

Moreover, unlike other Euro-MPs for Greece's New Democracy party, Zavvos also put in the hours back in Greece, commuting from Strasbourg to chair a committee trying to improve his country's antiquated banking system.

But his reward was to be dropped from his party's list of candidates at last June's Euro-election.

The preferred candidate was Nana Mouskouri, the folk singer who emigrated from Greece more than 30 years ago to make a career in France.

Sir Leon Brittan, his former boss at the Commission, has now helped Zavvos, unloved at home, land the EU's ambassadorship to Slovakia. Must be nicer than sitting in Strasbourg.

Souked through

■ Calling all Welshmen and women.

Zap across to Cairo's Khan el Khalili bazaar, where you can buy a T-shirt on which is emblazoned "Save the Wales!" – which presumably can be found in the Swan sea.

The Financial Times

100 years ago

Markets unsettled and nervous
New York: Our market opened with a heavy tone today and continued weak practically through the session. The Street is becoming somewhat uneasy in consequence of the serious condition of the Treasury and considerable liquidation was effected during the day. The close was unsettled and rather nervous.

Bulgaria rumour denied
The rumour that a new Bulgarian loan of four millions sterling is about to be issued is denied officially by the Bulgarian Minister of Foreign Affairs ... Apparently Bulgaria is by no means in such a bad way as some people imagine.

50 years ago

Wishful thinking
Markets are still unable to throw off the depression which started on Thursday last week when the capture of Warsaw by the Russians and the victorious forward sweep of our allies brought nearer the prospect of peace ... Evidently wishful thinking saw a recovery close at hand but, as is not uncommon with wishful thoughts, this failed to materialise.

FINANCIAL TIMES
Tuesday January 24 1995

Cost cuts hit Swedish childcare

Nurseries are feeling the strain of efforts to lower public spending

By Hugh Carnegy in Stockholm

At 10am at the Holländergatan Daghem in central Stockholm, a scene repeated every day in thousands of similar nursery schools throughout Sweden is under way.

In one room, a teacher kneels to help an apron-clad child painting at an easel; in another, with brightly painted murals splashed over the walls, three girls are playing happily. In the staff room some excitable toddlers are being allowed to watch a video; in the kitchen, big pots of sausages are cooking for lunch.

At first sight, all seems as it should be in a childcare system that is at the core of Sweden's welfare state, virtually guaranteeing every child between the ages of one and six subsidised daycare. It is a system that underpins the almost full participation of women in the Swedish workforce and is the envy of mothers and fathers far beyond the country's borders.

But like almost every other part of the welfare structure, it is feeling the strain of the acute crisis in Sweden's public finances which has forced the Social Democratic government to propose public spending cuts of some SKr50bn ($37bn) since it returned to power last September.

Ms Kari Stenseth, headmistress at Holländergatan, sighs wearily as she describes the impact of budgetary pressures that have made themselves felt for at least three years already. "You could say we were spoilt before," she says. "But all of a sudden it became very tough. I'm a teacher, not an economist, but more and more I have to think about money. Really, it is like I am running a small business now."

The pressure has come mainly as a result of savings forced upon the local municipalities – or kommuner – which run and subsidise the public daycare system. Ms Stenseth says the annual grants she received from the Stockholm kommune in 1994 of SKr65,353 for each 1-3 year old and SKr52,318 for each 4-5 year old were down by about SKr2,000 per child. Supplementary fees from parents of a maximum SKr2,000 per month per child (set by the state) were static.

As a result, Holländergatan has had to take on more children – from 30 five years ago to to 40. Meanwhile, professional full-time staff numbers have slipped from six, to four, with two on three-quarter time – reflecting a fall in the nationwide nursery teacher-child ratio from 1-4.2 in 1990 to 1-5.2 today.

"Things are different because we have so many more children," laments Ms Eva Blixt, one of Ms Stenseth's staffers. "We like to take the children to the forest, but we can't do that any more because of the numbers. And we have to have a more disciplined regime for the children, which I don't like."

Critics of the system, however, argue that it became bloated, inefficient and wildly expensive for a country whose budget deficit last year reached 13 per cent of gross national product, one of the highest in Europe.

A recent study by Professor Sherwin Rosen, a University of Chicago economist, estimates that in 1991-92, Sweden spent SKr50bn – or 3.5 per cent of GNP – on nurseries, child allowances and other subsidies of families with pre-school children. By 1993, 322,000 children were in *daghem*, more than double the number in 1983. Professor Rosen argues not only that the system is expensive but also that it is inefficient, because it mostly shifts the burden of bringing up young children (and looking after the old) out of the home and into a community institution.

"If Swedish women take care of each other's parents in exchange for taking care of each other's children, how much additional real output comes of it?" Professor Rosen says.

But it is a mistake to assume that the days of universal child care in Sweden are numbered. In fact, the right to a place in childcare for every child was enshrined in law only in 1993, under the previous government. The present government remains committed to maintaining publicly-funded daycare which may be subject to economies - but never dismantled.

Ms Gun Britt Andersson, a senior policy maker in the Social Department in Stockholm, is adamant that the pre-school childcare system must stay.

"It allows both parents to combine rearing children with productive work. I want it and a majority of the people in Sweden want it too."

THE LEX COLUMN

Glaxo's Wellcome surprise

For a group whose biggest headache is that its top-selling medicine Zantac could lose US patent protection as early as 1997, Glaxo appears to be behaving curiously. After all, Wellcome's biggest product, Zovirax, loses its US patent protection in the same year. Glaxo insists that buying Wellcome will not compound this predicament, but the move does not alleviate it either. Moreover, Glaxo is offering a more generous price than previous drug deals in terms of sales and earnings multiples. Wellcome may be of better quality than Syntex or American Cyanamid, but the scope for rationalisation is less obvious.

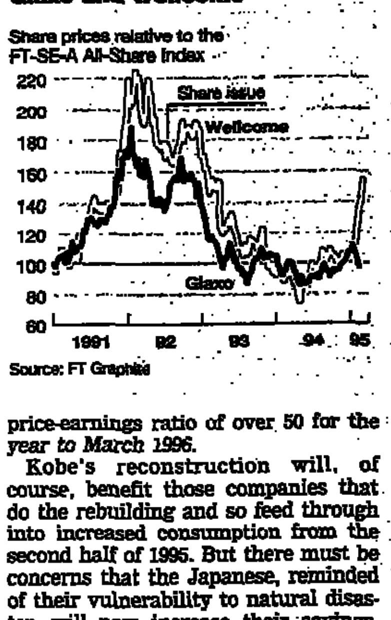
Nevertheless, the deal makes some sense. There is little product overlap, so sales should be boosted by pushing Wellcome's drugs through Glaxo's salesforce. Wellcome's additional product range should also help when marketing to US bulk buyers. And Glaxo will control the world's two most promising non-prescription drugs.

The main benefits will be achieved through cost-cutting. Wellcome's and Glaxo's research and development facilities, closely located in North Carolina and south-east England, can be rationalised; so too can sales and marketing activities. Further benefits can come from running down Wellcome's US and UK manufacturing operations, which never enjoyed the tax breaks most drugs groups obtain from having plants in developing countries. If integration is properly implemented, Glaxo could achieve savings of up to £800m a year, ensuring reasonable earnings growth.

A white knight remains a possibility, although a remote one. Few companies have deep enough pockets, and those that do may not find savings as effectively as Glaxo. Nevertheless, more deals in the industry will follow. The pressures behind the industry's current rationalisation show no signs of abating.

FT-SE Eurotrack 200: 1346.5 (-21.7)

Glaxo and Wellcome



Source: FT Graphite

Japan

It is hardly surprising that last week's tragic earthquake in Kobe should refocus minds on the risks of investing in Japan. The short-term prognosis is not positive. The cost of rebuilding Kobe is rising fast, as are estimates of the impact of disruption on industrial output. Viewed purely as a reaction to the quake, yesterday's 5.6 per cent fall in the Tokyo market looks overdone. But it has exacerbated concerns over the weak economic recovery and the market's average price-earnings ratio of over 50 for the year to March 1996.

Kobe's reconstruction will, of course, benefit those companies that do the rebuilding and so feed through into increased consumption from the second half of 1995. But there must be concerns that the Japanese, reminded of their vulnerability to natural disaster, will now increase their savings. Memories of Kobe could offset the effects of increased government spending, so damping economic growth and adding to the market gloom. Japanese institutions are expected to be net sellers to improve profit figures for the year to March. Add in volatility in other world markets and current high valuations and the Tokyo market looks susceptible to further falls.

Cadbury Schweppes

Cadbury Schweppes' proposed acquisition of Dr Pepper is driven by straightforward strategic considerations. It would almost double Cadbury's size in the fast-growing non-cola segment of the North American soft drinks market.

The deal would however damage balance-sheet robustness under conventional measures. After taking on debt, it would leave the group with gearing of more than 100 per cent, even after capitalising £1bn of goodwill. Without taking the value of new brand names into account, gearing would be twice as high. Cadbury can legitimately argue that so-called cash-gearing is a more fitting measure of financial strength and its target of 4.5 times interest cover is reassuring. But it would still be an expensive deal; Cadbury would pay a multiple of 30 times historic earnings and its 1995 earnings would be diluted after taking into account rationalisation costs.

It is a bold move, but a risky one, made chancier by the possibility that Coca-Cola and PepsiCo would find ways of exacting retribution against a suddenly more threatening competitor. The task of digesting the acquisition could also distract management from growing problems at Coca-Cola Schweppes Beverages in the UK.

Northern Electric

Northern's defence against Trafalgar House's £1.2bn bid is lacklustre. One line, evident in yesterday's document, involves sniping at the convertible stock and "Grids" Trafalgar is offering as part of the bid. Though these securities have drawbacks, Northern's criticism misses the point; if shareholders do not like the look of them, they can take £10.48 per share in cash. Another line of defence involves campaigning for the bid to be referred to the Monopolies and Mergers Commission. That can hardly endear Northern to shareholders. A referral would send its shares plummeting.

A better defence would be to spell out plans to enhance shareholder value through bigger share buy-backs or special dividends. Yesterday Northern threw shareholders a sop by promising to pass them any special dividend it receives from the National Grid prior to its flotation, but the company's ungeared balance sheet shows it could do more. The huge tax advantages to Trafalgar of a takeover, estimated by Northern at over £2 a share, mean it can afford to increase its bid substantially. But Trafalgar has no incentive to do so unless Northern demonstrates more vigorously the value of independence.

Prudential

Mr Mick Newmarch's sudden departure from the Prudential may be no more than an extreme gesture of exasperation at the burden imposed by the UK's financial services regulatory regime. But yesterday's announcement, citing also Mr Newmarch's contretemps with the Stock Exchange, was deeply muddling. Mr Newmarch's strategy for diversifying the Pru away from the UK life sector may have been well-executed and well-received by shareholders, but his conflicts with the regulators, as well as the manner of his exit, were counter-productive.

Markets hit by investor nervousness

Continued from Page 1

some overseas portfolio holdings, depressing bond and stock prices.

Other Asian markets reflected Tokyo's mood, with investor confidence also hit by worries about the health of the Chinese leader Deng Xiaoping. In Hong Kong, the Hang Seng index dropped 310 points, or more than 4 per cent. In Singapore, the Straits Times industrials index fell 5.5 per cent.

European markets were also weaker. In London, the FT-SE 100 index fell 40.8 points, or 1.4 per cent, to 2,954.2, despite a surge in shares in Wellcome due to a £9.4bn bid from rival pharmaceuticals company Glaxo. In Paris, the CAC-40 Index fell 2.2 per cent, while in Germany, the DAX index dropped 1.4 per cent.

The wave of selling continued in the US, where the Dow Jones Industrial Average was 23.89 points down by 1pm New York time. Expectations of a further increase in US interest rates when the Federal Reserve's open market committee meets at the end of the month depressed investor sentiment. A fall in the 30-year US Treasury bond, which was just under half a point lower in early afternoon trading, resulted in similar declines in European government bond markets.

Latin American markets also suffered on the back of continued concern about potential Congressional delays to the rescue package for Mexico. In early afternoon trading, share indices in Argentina, Brazil and Mexico were 2-3 per cent lower.

Portuguese prime minister will not stand for re-election

Leadership crisis looms with no clear Social Democrat successor

By Peter Wise in Lisbon

Mr Aníbal Cavaco Silva, the prime minister who inspired an economic renaissance in Portugal over the past decade, announced yesterday he would not stand for re-election in October.

His withdrawal marks the end of an era that began with the euphoria of an economic boom but ended with recession and the political stagnation of the centre-right party he brought to power.

Mr Cavaco Silva is often compared to Baroness Thatcher, the former British prime minister, for his political firmness and advocacy of free markets. His tough personality appealed to voters, who gave him two overwhelming mandates to lead Portugal out of political turmoil after the 1974 revolution and into the European Community.

Opinion polls indicate his Social Democrats (PSD) are unlikely to win a third overall majority. Mr Cavaco Silva is not given to conciliation and would not easily countenance heading a minority or coalition government.

His decision pitches the PSD into a leadership crisis and increases the chances of the opposition Socialists winning the election. A poll yesterday gave the Socialists 44.8 per cent of the vote and the PSD 39.8 per cent.

President Mário Soares, a Socialist, could bring the election forward if he decides that Mr Cavaco Silva's decision threatens to destabilise the government. The Socialists have called for an election in June.

Mr Cavaco Silva, 55, declined to say whether he would enter the race to succeed Mr Soares in a presidential election early next year. But his withdrawal from government was widely interpreted as being the first step. While he prefers the premiership to the president's limited role, he will be under stong pressure to run for president as the PSD's strongest contender.

Capital market analysts said the political uncertainty could affect investment decisions and delay an economic recovery forecast for next year.

Mr Cavaco Silva's leadership was the overriding factor in the PSD winning overall majorities in 1987 and 1991, ushering in a period of political stability and economic growth unequalled since Portugal's return to democracy in 1974. But his popularity began to wane with the onset of recession in mid-1992. Recent scandals and allegations of influence-trading involving PSD figures have also disillusioned Mr Cavaco Silva, who is respected for his honesty and efficiency.

He has no clear successor. Until recently, the strongest candidate was Mr Fernando Nogueira, defence minister and number two in the government and the party. But his reputation has been tarnished by an armed forces scandal.

Glaxo makes £9.4bn bid for Wellcome

Continued from Page 1

anti-herpes treatment Zovirax, which accounts for 40 per cent of Wellcome's sales, is due to expire in 1997. Wellcome is having difficulty gaining approval for a non-prescription version of the drug. Several analysts expressed concern that combining two sets of problems might do nothing to solve either. Glaxo argues that cost savings would make any difficulties "more manageable".

In its over-the-counter form, Zantac was due to be sold by Warner Wellcome, a joint venture between Warner-Lambert and Wellcome. The acquisition would mean a renegotiation of the arrangement with Warner-Lambert, said Sir Richard.

It would also mean rationalisation across the board, he said. Both companies have their US operations in North Carolina, and there is considerable duplication of research at Glaxo's Stevenage and Wellcome's Beckenham sites.

Wellcome's shares rose by 273p to close yesterday at 961p. But Glaxo's fell by 45p to close at 599p.

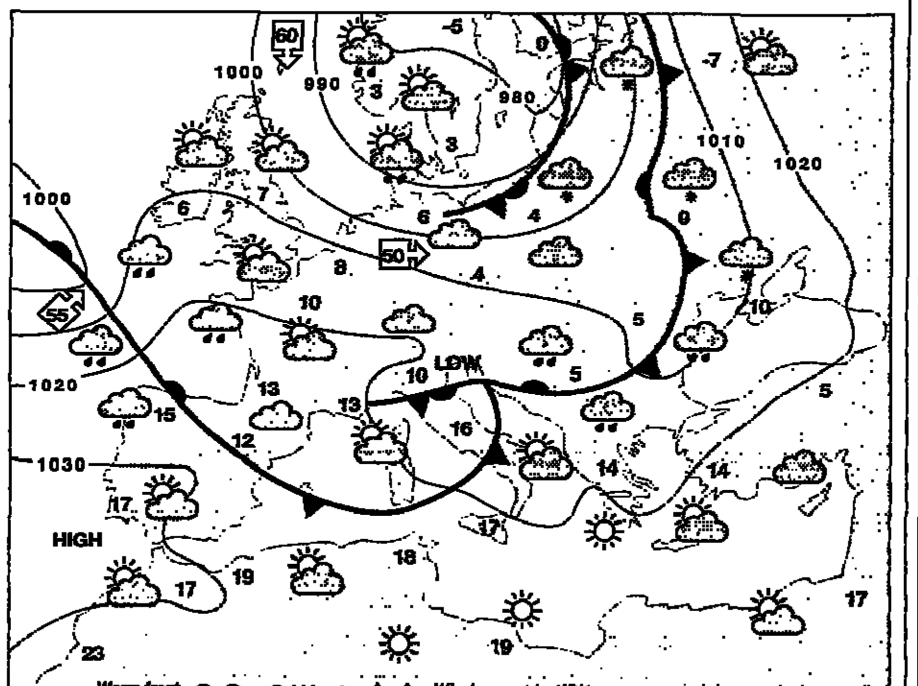
FT WEATHER GUIDE

Europe today

Cold, moist air from the polar region will cross southern Scandinavia on its way to the Alps and eastern Europe. These areas will have a mixture of sun and cloud with widely scattered showers, some with hail or sleet. Light snow showers are expected in the Alps, but skies will clear later in the day. Sunny spells are expected over the British Isles, except for rain or soft hail showers in the north. The Mediterranean will be settled, influenced by high pressure over Spain. All the Mediterranean will have sunny periods and eastern and central sections will be particularly bright and sunny.

Five-day forecast

Abundant rain is expected in northern France and the western Alps. Temperatures will be mild, allowing the freezing level in the Alps to rise to about 2,000 metres. High pressure over Spain and northern Africa will continue to bring sunny conditions to the Mediterranean with temperatures reaching 20C in places.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum	Beijing	sun	3	Caracas	fair	28	Faro	sun	18	Madrid	fair	13	Rangoon	sun	31
		Celsius	Belfast	fair	5	Cardiff	fair	8	Frankfurt	fair	7	Majorca	fair	17	Reykjavik	sun	-1
Abu Dhabi	sun	24	Belgrade	rain	5	Casablanca	sun	17	Geneva	cloudy	7	Malta	sun	17	Rio	cloudy	29
Accra	fair	31	Berlin	cloudy	6	Chicago	cloudy	-2	Gibraltar	sun	18	Manchester	fair	7	Rome	fair	16
Algiers	fair	19	Bermuda	shower	23	Cologne	fair	7	Glasgow	fair	6	Manila	cloudy	30	S. Frsco	rain	13
Amsterdam	cloudy	8	Bogota	cloudy	20	Dakar	fair	25	Hamburg	shower	6	Melbourne	fair	25	Seoul	cloudy	4
Athens	sun	17	Bombay	sun	32	Dallas	sun	14	Helsinki	snow	2	Mexico City	fair	20	Singapore	shower	30
Atlanta	sun	8	Brussels	fair	8	Delhi	sun	21	Hong Kong	cloudy	21	Miami	sun	21	Stockholm	cloudy	-3
B. Aires	cloudy	28	Budapest	rain	5	Dubai	sun	24	Honolulu	fair	29	Milan	sun	10	Strasbourg	fair	8
B.ham	fair	7	C.hagen	shower	5	Dublin	rain	6	Istanbul	sun	12	Montreal	snow	-4	Sydney	cloudy	25
Bangkok	cloudy	33	Cairo	fair	17	Dubrovnik	cloudy	13	Jakarta	thund	30	Moscow	snow	-7	Tangier	sun	17
Barcelona	fair	15	Cape Town	fair	26	Edinburgh	fair	5	Jersey	shower	10	Munich	shower	6	Tel Aviv	fair	18
									Karachi	sun	29	Nairobi	fair	28	Tokyo	fair	10
									Kuwait	sun	18	Naples	fair	15	Toronto	snow	-4
									L. Angeles	rain	16	Nassau	fair	25	Vancouver	fair	8
									Las Palmas	sun	21	New York	cloudy	5	Venice	sun	11
									Lima	cloudy	28	Nice	sun	15	Vienna	fair	6
									Lisbon	fair	17	Nicosia	fair	17	Warsaw	cloudy	4
									London	fair	8	Oslo	cloudy	-3	Washington	fair	5
									Lux.bourg	cloudy	5	Paris	fair	10	Wellington	cloudy	23
									Lyon	fair	9	Perth	cloudy	28	Winnipeg	sun	-8
									Madeira	fair	19	Prague	shower	4	Zurich	rain	5

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IN BRIEF

BMW examines telecoms venture

BMW, the German motor group, may expand into telecommunications by taking a stake of up to 25 per cent in the joint venture unveiled two weeks ago between British Telecommunications (BT) and Viag, the German industrial conglomerate. Page 18

Schneider unit hit by property losses
Shares in Spie Batignolles, the construction and civil engineering arm of France's Groupe Schneider, fell sharply after its parent warned that continued property losses would force a financial restructuring at its subsidiary. Page 18

Merrill Lynch earnings slide
Merrill Lynch, the leading Wall Street firm which has recently been overshadowed by the Orange County bankruptcy, reported that fourth-quarter diluted earnings had fallen sharply to 75 cents a share from $1.53. Page 20

Portuguese banks of war
Competition between Portugal's banks has changed rapidly to a clash of titans. The success of three pending bids, together worth Es465bn ($2.94bn), would create three dominant groups controlling 65 per cent of the total assets of a sector divided among relatively diminutive groups. Page 20

BBV dragged down by trading losses
Pre-tax profits at Banco Bilbao Vizcaya, the Spanish banking group, fell 5.7 per cent last year after heavy trading losses incurred by its treasury department. Page 21

Siemens issues gas turbine challenge
Siemens, the German industrial group, has thrown down a challenge to its rivals in the world power station market by unveiling what it claims is the world's most efficient gas turbine. Page 21

Energy groups produce pleasant surprise
A handful of big US energy groups reported better than expected results. A rebound in earnings from the cyclical chemicals business enabled Exxon and Amoco to stave off most of the effects of weaker profit margins from refining and a sharp drop in natural gas prices. Texaco, which sold the bulk of its chemicals operations last year, suffered a bigger decline in earnings. Page 19

Interim head found for air crash company
Saint Louis, the French sugar and paper group, said deputy chairman Nicholas Clive Worms would take over as interim chairman after an emergency board meeting following the death of Bernard Dumon in an air crash last week. Nicholas Clive Worms is also chairman of Worms et Cie.

Cans and cannots
US and European aluminium groups are in disagreement about the pricing of can sheet, a material used to make drinks cans and which accounts for about 14 per cent of aluminium demand outside the former Soviet Union. Page 23

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Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Altana	617.5	-	9.5
BMW	743	-	14
BHF Bank	362	-	8.5
Daimler Bnz	709.5	-	22
Linotype	343	-	15
Porsche	631	-	14
NEW YORK ($)			
Rises			
Amoco	59½	+	¼
Dr Pepper	31¼	+	1¾
Falls			
Hew Pack	103⅜	-	1⅜
IBM	73⅞	-	1¾
Motorola	60⅝	-	1
Stratus Com	28¾	-	10½
LONDON (Pence)			
Rises			
Gent (SR)	92	+	7
Wellcome	961	+	273
Zeneca	916	+	24
Falls			
Cble & Wire	354	-	15
Glaxo	589	-	44½
HSBC (75p)	589	-	36
TORONTO (C$)			
Rises			
Atlnts Comnx	8½	+	½
Kerr Addisn	24⅝	+	1⅜
Spectra Grp	5½	+	⅝
Falls			
Con General	27½	-	1¼
Newcourt Crd	14½	-	1½
Slocan Fst	15¼	-	1⅛

PARIS (FFr)			
Rises			
Nav Mixte	990	+	15
Falls			
AGF	178.5	-	11.5
Air Liquide	708	-	28
Ecco	551	-	32
Seb SA	497	-	17
Soc General	489	-	22
TOKYO (Yen)			
Falls			
Canon Sales	2400	-	270
Dai Tok F&M	815	-	45
Itochu	803	-	52
Lng Trm Crd	821	-	99
Mitsukoshi	900	-	110
Toei	891	-	84
HONG KONG (HK$)			
Rises			
B&B Asia	1.22	+	0.12
Dah Sing Fin	12.5	+	0.10
Falls			
HSBC Hldgs	71.25	-	4.0
Hang Sng Bnk	43.90	-	3.0
Bnk E Asia	26.0	-	1.95
Swire Pac A	38.3	-	1.7
BANGKOK (Baht)			
Rises			
Easim Wire	39.5	+	2.0
Kamrai Cap	7.9	+	0.8
Unique Gas	189	+	9.0
Falls			
Krung Thai	74	-	3.5
Thai Frmrs	159	-	4.0
Phatra Than	155	-	15.0

New York and Toronto prices at 12.30pm.

Falling sales of personal computers worry markets but executives vow 'to turn this thing around'

IBM returns to profit with strong quarter

By Louise Kehoe in San Francisco

International Business Machines reported its first full year of profitability and revenue growth since 1990, with fourth quarter results well above Wall Street projections. IBM's share price, however, fell on concerns about a decline of personal computer sales. IBM was trading at $73⅞ in mid-session, down from Friday's close of $75⅝.

Net earnings for the quarter were $1.2bn, or $2.06 a share, compared with $321m or 55 cents a share in the same period last year. Wall Street analysts had projected earnings of around $1.75 a share. Fourth quarter revenue was $19.9bn, an increase of 6.6 per cent over $18.7bn with the same period of 1993, after adjusting for the 1993 sale of Federal Systems Company.

"We're pleased with our overall performance in the fourth quarter," said Mr Lou Gerstner, IBM chairman and chief executive. "Demand generally was strong across our product line, and demand for mainframes and storage products far outstripped supply."

IBM's personal computer business was weak, however, Mr Gerstner acknowledged. "We are disappointed," he said. "Actions to improve the competitiveness of this unit are continuing on an aggressive schedule." Mr Jerry York, chief financial officer, added: "There is an excruciatingly high sense of urgency [to improve the performance of the PC business]. This is one sixth of our business and it is underperforming materially. We will turn this thing around."

Analysts expressed concerns that although IBM's overall revenues increased, the growth was in older segments of the business rather than in the PC sector where the pace of market growth is faster. Although demand for mainframe computers exceeded supply, mainframe revenue declined as a result of price reductions. Mr York said mainframe revenues are expected to fall by 10 to 15 per cent in 1995. "On a full-year basis, IBM made real progress in 1994," Mr Gerstner said. Total revenue increased 6 per cent, to $64.1bn from last year's $60.4bn, adjusted for the sale of FSC. Net earnings for the year were $3bn, or $4.92 per share (net loss of $96m or 25 cents a share in 1993).

"We cut expenses by $3.5bn (or 15 per cent) and we have completed nearly 80 per cent of our $8bn expense reduction goal. We finished the year with more than $10bn in cash and our cash flow from operations was strong despite significant restructuring payments."

"Despite the progress we have made, however, we are not satisfied with our revenue growth," Mr Gerstner said.

Revenue from Europe was up 8 per cent at $7.6bn in the fourth quarter, while Asia-Pacific revenue grew 11 per cent to $3.4bn. US revenue was $7.0bn, up 5 per cent. Total hardware sales rose 3 per cent to $10.6bn while software revenue grew 7 per cent to $3.3bn.

Purchase will strengthen relations with bottlers, writes **Roderick Oram**

Dr Pepper's remedy for a Cadbury ill

One statistic above all explains best why Cadbury Schweppes, the UK confectionery and soft drinks maker, has to buy Dr Pepper/Seven-Up Companies, the third-largest US soft drinks maker.

Even with famous international brands such as Schweppes and Canada Dry and US ones including A&W and Mott's, Cadbury has to use some 1,000 independent bottlers to cobble together a mere 5.5 per cent of the US soft drinks market.

In contrast, Coca-Cola and PepsiCo use only some 120 bottling companies each, either independents or ones they own directly, to achieve market shares respectively of 41 per cent and 32 per cent.

Worse, Cadbury's lack of distribution and brand clout in the US jeopardises its global strategy. Unless it achieves critical mass in the US, accounting for one-third of the global soft drink market, it can never achieve its ambition of becoming the world's largest supplier of non-cola drinks.

"With Dr Pepper under their belts, I'd feel a lot more comfortable about Cadbury's drinks strategy," a London analyst said yesterday.

In 10 years Cadbury's share of the world soft drink market has gone from "half a per cent on a nice day" to some 5 per cent now. Throughout Cadbury's eight-year stalking of Dr Pepper, the City of London has remained sceptical it could become a force in the industry.

Dr Pepper is the only acquisition Cadbury could make to solve the strategic problem. Dr Pepper may be only the fourth largest US soft drinks brand and Seven-Up the eighth, but they dwarf anything in Cadbury's portfolio. Dr Pepper, for example, sells almost six times the volume of Canada Dry, Cadbury's largest US brand.

Moreover, Dr Pepper was the fastest growing US non-cola drink last year and the Dallas-based company is the largest player in the US non-cola market with more than 40 per cent.

With consumers tiring of colas and seeking greater variety in their soft drinks, Coke, Pepsi and other players such as Quaker Oats, through its recent Snapple purchase, are pushing harder than ever into non-cola drinks – putting pressure on the relations of Dr Pepper and Cadbury with their bottlers.

Neither company has its own bottling plants so they are dependent on selling their syrups to independent soft drink makers – most of which are aligned to either Coke or Pepsi and produce their products. The bottlers are free to take on products from other companies but the danger is that Coke or Pepsi can put pressure on them stick entirely with them.

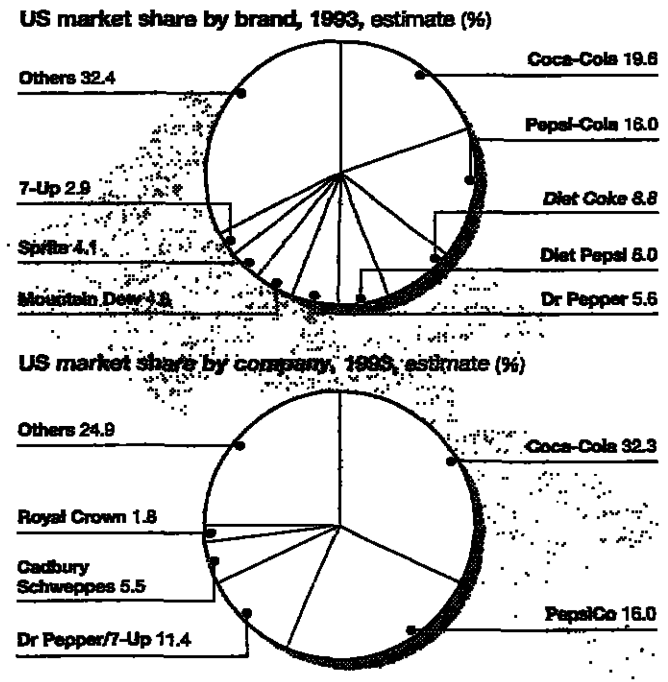
Overall, some 80 per cent of Dr Pepper volumes go through independent bottlers aligned with either Coke or Pepsi. Unless, Dr Pepper can present a strong product portfolio, it runs the risk of being edged out of bottlers' line-ups by new, heavily promoted non-cola products from Coke and Pepsi.

If Cadbury succeeds in buying Dr Pepper, it will "make them *the* independent franchiser of soft drinks", said Mr Jesse Meyers, publisher of Beverage Digest, a US newsletter.

A portfolio running from Dr Pepper to Schweppes, pushed by a restructured management with a global vision and Cadbury's resources, would make the combined company a viable long-term competitor to Coke and Pepsi, he adds.

Tough competition in soft drinks market

US market share by brand, 1993, estimate (%)



Cadbury Schweppes, 6 months to June 1994

Sales	UK	Europe	Americas	Pacific Rim	Africa & others	Total
Confectionery	387.9	154.4	42.5	152.6	59.8	797.2
Beverages	351.7	180.3	308.0	97.2	33.7	970.9
Total	739.6	334.7	350.5	249.8	93.5	1,768.1
Trading profit						
Confectionery	41.5	14.4	10.2	21.4	5.6	93.1
Beverages	51.6	8.8	45.8	7.7	6.9	120.8
Total	93.1	23.2	56.0	29.1	12.5	213.9

Source: Wheat First Butcher Singer. Cadbury Schweppes.

Integration would be the next hurdle. Large costs can be saved from the combined businesses in sales, marketing and production of the syrups shipped to bottlers. But "they must be brought together with great sensitivity", one analyst said. This applies to combining staff, given Dr Pepper's proud Texan history, but more importantly to the bottlers. Quaker Oats, which is being sued by some Snapple bottlers, has found how easy it is to upset them. "The quickest way to destroy the value of the business is to alienate the bottlers," added another analyst.

The deal also carries financial risks. Paying down some £1bn of debt from the purchase will reduce the resources Cadbury has to match the marketing muscle of Coke and Pepsi.

But perhaps the hardest task lies outside the US. Cadbury is disadvantaged in many markets by the lack of its own large, strong brands and thus it relies on Coke or Pepsi. This is particularly clear in the UK where it owns 51 per cent of Coca-Cola Schweppes Beverages but elsewhere in Europe it continues to lose franchises from Coke and Pepsi. Not only must it parlay Dr Pepper into an international brand, it must also keep in favour with Coke and Pepsi where it needs them.

"This deal would put Cadbury within yodelling distance of Coke and Pepsi," Mr Meyers says. Trouble is, the call of an emboldened Cadbury would wake them to its global ambitions.

Lex, Page 18

The share price of Cadbury Schweppes fell 12p to 389p yesterday after it confirmed it was negotiating a merger with Dr Pepper/Seven-Up Companies and that it would partially finance the deal with a rights issue of some £500m ($780m).

The logic of the deal was welcome by analysts but some expressed concern about the financial stretch for Cadbury. The company tried to smooth these concerns, saying it would only do a deal if the effect on its own earnings per share was "no worse than broadly neutral in 1995 prior to charging reorganisation costs, and positive in 1996 and thereafter". Moreover, it would also expect interest cover to remain above 4.5 times.

It added that "there can be no assurances" that the discussions will result in a definitive agreement. Dr Pepper's shares were up $1¾ at $31¼ yesterday lunchtime.

***The statement was prompted by the leaking of news of the pending* deal over the weekend. Dr Pepper's management is understood to have agreed in principle to a Cadbury bid at about $33 a share.**

Metallgesellschaft calls ex-chief's claims 'grotesque'

By Andrew Fisher in Frankfurt

The conflict over last year's near collapse of Metallgesellschaft reached a new pitch of bitterness yesterday as the German industrial and trading company reacted sharply to a US lawsuit brought by Mr Heinz Schimmelbusch, its dismissed chairman.

Mr Schimmelbusch has filed a $10m suit against the company, Mr Ronaldo Schmitz (head of Metallgesellschaft's supervisory board and a director of Deutsche Bank) and Deutsche Bank, alleging "a systematic campaign of defamation".

He claimed in the suit that the way Mr Schmitz and the bank liquidated the oil futures contracts which tipped the company into crisis "quickly and needlessly brought MGAG [Metallgesellschaft AG] to the brink of bankruptcy".

The lawsuit, filed in the supreme court of New York state, added: "Their campaign to cover up their actions with false and defamatory charges against Schimmelbusch has all but destroyed his reputation and rendered him virtually unemployable commensurate with his prior position."

Metallgesellschaft rejected Mr Schimmelbusch's charges and said it would sue him once a full study of the whole affair was ready in the next few days. This is being prepared by the auditing firms of Wollert-Elmendorff and Coopers & Lybrand.

Although Metallgesellschaft declined to say what the report might contain, it said the intention had always been to sue Mr Schimmelbusch when all the facts were known. Metallgesellschaft said his claims in the lawsuit were "grotesque" and should be regarded as a "despairing attempt" by him to make headlines before the report – which he clearly expected to be critical – was produced.

Deutsche Bank, which led the DM3.4bn ($2.2bn) rescue operation of Metallgesellschaft and owns 11 per cent of the shares, also reacted strongly to the claims. It called them part of "a continuing campaign of disinformation" by Mr Schimmelbusch and others to "distract and divert attention from their responsibility and culpability in the Metallgesellschaft affair".

The lawsuit makes clear the bad feeling between Mr Schimmelbusch and Mr Schmitz. It said Mr Schmitz was unsuited to the role of Metallgesellschaft's supervisory board chairman and was hostile to its trading activities. "He also had a longstanding dislike of Schimmelbusch," it added.

Mr Schimmelbusch was dismissed in December 1993 after the extent of Metallgesellschaft's exposure to the US oil trading losses became known. Mr Schimmelbusch alleges that the way these derivatives contracts were wound up under Mr Schmitz's direction made the losses higher than they need have been. Some US academics and economists support this argument.

In interviews with Der Spiegel magazine, Mr Schmitz has accused Mr Schimmelbusch of not keeping him properly informed of what was going on. Mr Schimmelbusch has countered that Mr Schmitz engineered huge losses at Metallgesellschaft to remove the management and gain control. Deutsche Bank called this statement by Mr Schimmelbusch "grotesque".

Wolford makes 'denier cri' to the women of Paris and Vienna

By Ian Rodger in Vienna

Wolford, the leading maker of luxury tights, is to be floated on the Vienna and Paris stock exchanges in a whirl of glamour and at a price that values the group at about Sch1.05bn ($98.6m).

Marketing posters in Vienna refer to Wolford as a "lady share" and appeal to women that the offer price, which will be between Sch400 and Sch450 apiece, "is just about the cost of a genuine pair of Wolford tights".

Does this mean the offerer will discriminate in favour of female applicants for shares?

"No, it is simply an invitation to our beautiful consumers," Mr Fritz Humer, the group's chief executive said yesterday.

The launch date for the shares is February 14, St Valentine's Day.

Men who have never heard of Wolford should consult the women in their lives. In the past four years, this Austrian family-controlled group has built up a strong international reputation for high fashion, high quality tights.

In this period, under new management, it has jettisoned most of its low margin contract business and concentrated on developing and selling new lines under its own brand name. Last year, it introduced the world's first seamless tights.

Sales of branded products have jumped from Sch785.4m in the year to April 30 1992, to an expected Sch1.09bn in the current year, while contract sales have fallen from Sch506.7m to an expected Sch148m.

Net income has grown only modestly from Sch56.9m in 1992 to Sch68.2m last year during this transition period, but is expected to rise to at least Sch89m this year.

Overall, the tights market is contracting mainly because of improved product durability and fashion changes, but Wolford believes its sales will continue to grow because women will be willing to spend more for the fewer pairs they buy.

The 1.09m shares in the flotation represent 43 per cent of the expanded capital.

Existing shareholders, mainly the Vienna venture capital group Unternehmens Invest, are selling 890m.

Proceeds from the 200m new shares will be used for investment in new capacity. The Palmers family of Vienna will retain a 50 per cent stake.

Creditanstalt-Bankverein is lead manager; Credit Lyonnais is responsible for sales outside Austria.

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BMW considering 25% stake in telecoms venture

By Michael Lindemann in Bonn

BMW, the German motor group, may expand into telecommunications by taking a stake of up to 25 per cent in the joint venture unveiled two weeks ago between British Telecommunications (BT) and Viag, the German industrial conglomerate.

Mr Bernd Pischetsrieder, BMW's chief executive, said talks had started between the companies but could give no further details. Viag said a "first round of non-committal talks" had begun.

If BMW does take a stake in the new company, Viag InterKom, it will significantly strengthen a venture which includes one of Europe's biggest telecommunications operators and Germany's tenth largest company in sales terms.

At the launch of Viag InterKom, Viag said it was talking to Bayerische Vereinsbank and Bayerische Hypobank, Bavaria's two biggest banks, about taking a stake in the joint venture, which hopes to win a licence to provide voice telephony services in competition with Deutsche Telekom, the state-owned monopolist.

At the time, Mr Georg Obermeier, Viag's finance director, said up to five other partners might take a stake alongside BT and Viag, which each own 37.5 per cent. He said the partners were likely to be German so that InterKom had a better chance of winning a voice telephony licence.

Following the announcement of talks with BMW yesterday it seems likely that the partners will be the Bavarian companies, given that Viag InterKom is counting heavily on support from the Bavarian state government to win one of the licences.

Viag InterKom hopes to offer a variety of data and intra-company services on a corporate network. Operators which will compete with Deutsche Telekom in the provision of voice telephony must be licensed by the beginning of 1998, in line with European Union guidelines. However, Viag InterKom is hoping that a decision will be made before then which would allow it to open the existing fibre-optic cable network – built around the Bayernwerk utility – to third parties.

Schneider unit hit hard by losses in property

By John Ridding in Paris

Shares in Spie Batignolles, the construction and civil engineering arm of France's Groupe Schneider, fell sharply yesterday after its parent warned that continued property losses would force a financial restructuring at its subsidiary.

Spie Batignolles, whose shares fell FFr26 to FFr222 after the statement by Schneider, is the latest victim in France's troubled property sector. Last week, Générale des Eaux, the water and communications group, and GAN, the state-owned insurer, both revealed their need for capital injections to cover substantial losses in property activities.

Schneider, which has seen profits improve in its other divisions, declined to comment on details of the restructuring at Spie Batignolles. However, industry analysts said it could involve a recapitalisation of Spie Batignolles, or a spin-off of its property assets.

Schneider yesterday denied press reports that Skanska AB of Sweden was about to take a significant stake in its subsidiary. "A financial restructuring of Spie Batignolles must occur before it can possibly progress in potential discussions with French or foreign partners concerning its operating activities," it said. Swedish press reports had claimed that Skanska was about to spend about SKr1bn ($135m) on a large stake in Spie Batignolles.

Industry analysts said Schneider's statement suggested that property losses at Spie Batignolles could be bigger than expected.

Spie Batignolles has been in the red since 1991, when it suffered a net loss of FFr952m. In the first half of last year, the deficit was cut FFr59m from FFr70m in the same period in 1993. With the exception of property activities, and losses stemming from unpaid contracts, the subsidiary's activities have returned to profit.

At the group level, Schneider has seen profits grow strongly.

Mercedes unveils van sales drive

By Kevin Done, Motor Industry Correspondent, in Düsseldorf

The commercial vehicle operations of Mercedes-Benz, the world's biggest truckmaker, will return to profit this year following two years of losses, Mr Helmut Werner, chief executive said yesterday.

He made the forecast as the company unveiled an ambitious strategy for attacking the domination of Volkswagen and Ford in the west European light commercial vehicle market. It plans to raise its van production capacity in Europe by 60 per cent and to begin van assembly in South America.

It will use the launch of a new medium-heavy duty van range, the Sprinter, to cut all van prices by between 10 and 15 per cent in Germany and some other important markets, including Italy, to gain market share from its rivals.

Mercedes-Benz is introducing two van ranges in Europe this year, starting with the Sprinter, which was unveiled yesterday. The van was developed in a 53-month, DM1.4bn ($933m) investment programme. It will replace two existing products, the German-built T1 van range and the Spanish-built MB100D range, which was only built in left-hand drive versions.

According to Mr Bernd Gottschalk, head of Mercedes-Benz's commercial vehicle operations, the time taken to assemble the Sprinter has been cut by 40 per cent compared with its predecessors. Around 260 robots have been added to the body welding operations, where the level of automation has been raised dramatically to around 85 per cent.

In a second step later this year, Mercedes-Benz will launch a second, lighter van range, the City-Transporter, which will be built at its plant at Vitoria, Spain with a capacity for 55,000 vans a year.

Mr Gottschalk said the company was increasing its van production capacity in Europe from 100,000 to 160,000 a year.

It was aiming to raise its market share in western Europe from 13 per cent last year to 20 per cent by 1998, and to lift its share of the German van market from 20.1 per cent to 30 per cent.

Mr Werner said Mercedes-Benz was planning to invest DM3.5bn in its commercial vehicle operations in the next three years, with an additional DM3bn to be spent on research and product development.

The company increased its car sales worldwide last year by 17 per cent to 593,000, and its commercial vehicle sales by 15 per cent to 292,000, said Mr Werner. Turnover rose 9 per cent to DM70.5bn from DM64.7bn a year earlier.

The company has been drastically restructured in the last two years after it plunged to a net loss of DM1.19bn in 1993.

It has stunned rival carmakers with the audacity of its moves to transform its product development strategy, with forays into new product segments for small cars and, more recently, micro cars, the latter in a joint venture with SMH, the Swiss maker of mass-market Swatch watches.

Mr Werner said that the productivity of Mercedes-Benz's car operations had improved by 30 per cent last year, while the productivity of the commercial vehicle operations had been raised by around 25 per cent.

"The company had rebounded "strongly into the black", he said.

Car production, which rose 22.7 per cent last year to 590,000 from 481,000 in 1993, would be little changed in 1995, said Mr Werner, and would be constrained by the introduction of a new generation E-Class executive car range in the second half of the year.

Output of commercial vehicles, which rose 20.7 per cent to 292,000 last year from 242,000 in 1993, would rise significantly again in 1995 to "well in excess of 300,000" said Mr Werner.

With its new offensive, Mercedes-Benz aims to benefit from the extreme weakness of rivals such as General Motors in the European market, as well as from the waning influence of the Japanese producers, which controlled around 14.9 per cent of the market last year.

It must also take significant share from its much stronger rivals Volkswagen, Ford and Fiat, as well as from the French producers Renault and the PSA Peugeot-Citroën group, however, and Mr Gottschalk has set aggressive targets.

MERCEDES-BENZ TURNROUND

WORKFORCE	Worldwide	Germany
end 1994	197,000	148,000
end 1993	209,900	160,200
end 1992	222,500	170,100
VOLUME SALES (UNITS)	Cars	Commercial vehicles
1994	593,000	292,000
1993	508,000	254,000
1992	520,000	275,000
PRODUCTION	Cars	Commercial vehicles
1994	590,000	292,000
1993	481,000	242,000
1992	529,000	277,000

Source: company figures

Strike by Matif traders

By Andrew Jack in Paris

More than half of the individual traders on Matif, the French financial futures market, went on strike yesterday to protest against proposed increases in their fees.

None of the 30 "local" traders, or *negotiateurs individuels de parquet*, who normally trade the notional bond contract turned up for work, causing volumes to drop by more than 10 per cent. Just two of the usual 20 traded Pibor. All 20 involved in the CAC-40 showed up for work.

Some 70 local traders operate on the Matif, up from 50 since the membership option was introduced in 1988, when the market separated those buying and selling on their own behalf from those in working for third parties or directly for firms.

The association of local traders voted for a week-long strike last Friday after Matif proposed to increase their fees from an average FFr2.85 to FFr3.40 per trade. Last night, they were locked in talks with Matif's management in an effort to resolve the dispute.

Eurocopter still in red as turnover falls

By David Buchan in Paris

Eurocopter, the joint venture between Aérospatiale of France and Germany's Daimler-Benz Aerospace (Dasa), remained in the red last year, but cut the losses from the 1993 level of FFr462m ($88.5m).

The company said it was pinning hopes of recovery in the military sector on winning contracts this year for its Tigre helicopter from the UK and Dutch armed forces.

Turnover last year fell by 12 per cent to FFr89bn from FFr10.3bn in 1993, as sales of new machines dropped from 166 to 133 over the same period. Sales of second-hand helicopters, however, picked up from 43 in 1993 to 62 last year, a trend which the company interpreted as showing that clients were cautiously coming back to the market.

The pace of new orders decreased to FFr7.3bn last year from FFr9.3bn in 1993, with the drop particularly marked in orders for the Super Puma/Cougar heavy range.

In spite of lower turnover and orders, Mr Jean-François Bigay, the French co-president of Eurocopter, said the company had managed to reduce debt by FFr1bn in 1994.

But it would have to continue restructuring this year, and Mr Bigay said the board first had to decide how much provision to make for the 1995 "adaptation" plan before arriving at a final loss figure for 1994.

Eurocopter retained its position as the largest exporter of civil helicopters, with roughly half the world market in this product.

However, it has only 10-15 per cent of the military market where it is facing fierce competition from Russian helicopter makers who have now carved out one-third of the market for themselves.

Aérospatiale and Dasa hope to use the Eurocopter model for the joint companies which they are trying to negotiate in missiles and satellites. The state-owned French company, which has 60 per cent of Eurocopter, is aiming at retaining a slight dominance in the planned missile merger, partly by giving Eurocopter itself a small share.

Kalagher to head global operations of Seagram

By Robert Gibbens in Montreal

Mr Steven Kalagher, who has been leading Seagram's global reorganisation, will take over on June 1 as president of the company's international spirits and wine operations, which account for annual sales of US$5bn.

Seagram, one of the world's biggest drinks groups which owns almost 25 per cent of the Du Pont chemical and energy giant and 15 per cent of Time Warner, said Mr Kalagher, 52, will succeed Mr Edward McDonnell, 59, who retires June 1. Mr McDonnell will remain a Seagram director and a consultant on acquisitions and alliances.

Mr McDonnell has led the international expansion of Seagram's spirits and wine business since the mid-1980s.

He joined Seagram in 1981 and became a director in 1993.

"This is an orderly and planned succession," said Mr Chris Tofalli, communications director of Seagram.

Mr Fernando Kfouri was named president of the newly-created Seagram Americas, covering spirits operations in the US and Canada and spirits and wines in Latin America.

Metro-Richelieu boosts net in opening quarter

By Robert Gibbens

Metro-Richelieu, a leading eastern Canada food distributor, posted first-quarter net profit of C$11.6m (US$8.1m), or 34 cents a share, up 45 per cent from C$8m, or 23 cents, a year earlier. Sales rose 6 per cent to C$717m.

Metro continued to gain a market share in the three months ended December 17, said Mr Pierre Lessard, president.

This year the company will invest C$32m in its wholesale and retail operations.

● Northern Telecom, the Canadian-based international telecommunications equipment maker, is setting up a joint venture in Shenyang, China, to make fibre optic cable switches.

Its partner is Liaoning Posts Scientifics Research Institute.

Initially the Canadian group will invest C$6m for a 55 per cent interest in Shenyang Nortel.

Nortel already has several hundred million dollars invested or committed in PBX switching and semi-conductor manufacturing joint ventures in China.

It is among the top three international telecom suppliers to China.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 24.01.95: Pool purchase price £/MWh	Final Prices for Trading on 27.12.94: Pool purchase price £/MWh	Final Prices for Trading on 27.12.94: Pool selling price £/MWh
0030	8.56	9.09	9.69
0100	11.51	36.53	38.94
0130	11.51	36.53	38.94
0200	20.09	36.53	38.94
0230	20.09	23.28	25.69
0300	20.09	40.00	42.41
0330	20.09	40.00	42.41
0400	9.89	12.02	14.43
0430	8.51	10.31	12.72
0500	9.51	8.92	8.92
0530	9.58	9.13	11.54
0600	9.56	8.86	8.86
0630	9.57	8.83	8.83
0700	10.65	8.83	8.83
0730	34.00	8.83	8.83
0800	110.85	8.83	8.83
0830	117.55	8.80	8.80
0900	102.88	8.83	8.83
0930	57.12	8.86	8.86
1000	57.59	9.13	11.54
1030	55.83	9.13	11.54
1100	53.71	9.13	11.54
1130	54.43	9.13	11.54
1200	56.70	9.13	11.54
1230	100.13	9.13	11.54
1300	52.91	9.13	11.54
1330	41.03	9.13	11.54
1400	38.17	9.13	11.54
1430	34.68	9.15	11.54
1500	34.10	8.96	8.95
1530	37.78	8.92	8.92
1600	60.79	9.50	9.50
1630	178.48	15.28	17.69
1700	431.84	26.22	28.63
1730	592.56	34.20	36.61
1800	567.45	34.20	36.61
1830	313.34	31.40	33.82
1900	156.40	28.24	30.65
1930	84.00	15.28	17.69
2000	44.53	14.89	17.30
2030	30.55	11.67	14.08
2100	27.67	11.67	14.08
2130	28.47	11.67	14.08
2200	25.53	8.85	8.85
2230	25.83	8.83	8.83
2300	9.57	8.20	8.20
2330	9.56	8.20	8.20
2400	8.52	8.75	8.75

Prices are determined for every half-hour in each twenty-four hour period. Prices are in Pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 9.30am and 5.15pm Monday to Friday.
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INTERNATIONAL COMPANIES AND FINANCE

US energy groups' results better than expected

By Richard Waters in New York

A handful of big US energy groups reported better than expected results yesterday.

A rebound in earnings from the cyclical chemicals business enabled Exxon and Amoco to stave off most of the effects of weaker profit margins from refining and a sharp drop in natural gas prices. Texaco, which sold the bulk of its chemicals operations last year, suffered a bigger decline in earnings.

Chemicals contributed $414m to Exxon's earnings in the final three months of the year, and $951m for 1994 as a whole (up from $134m and $411m respectively a year ago). Revenues in the division during the quarter were 26 per cent higher than a year before, at $3.135bn.

This offset much of the decline in Exxon's earnings from oil and natural gas, which in the final quarter declined $400m to $1.11bn from a year before, and for the year as a whole were down $1.15bn to $4.17bn.

The company's upstream (exploration and production) earnings were hurt by lower natural gas prices in Europe and, particularly, in the US, due to a mild winter so far. Prices in the US have fallen by more than a quarter since last October. Even though oil prices were higher in the quarter, compared with the final months of 1993, Exxon's upstream earnings fell 14 per cent from a year before, to $729m. Full-year earnings dropped 16 per cent, to $2.78bn.

Exxon's downstream (refining and marketing) profits, meanwhile, slid on weaker profit margins due to oversupply in the industry, falling 43 per cent to $382m in the quarter and 31 per cent for the year as a whole, to $1.388bn.

The latest quarter was boosted by $423m of one-off credits, partly due to tax factors, compared with credits of $113m the year before. For the year, one-off charges of $433m were lower than the $597m of charges in 1993.

Many of the same factors were apparent in figures from Amoco, which is both more dependent on natural gas production than many US rivals, with around 40 per cent of its production from this source, and relies more heavily on chemicals.

Amoco's earnings from chemicals jumped to $188m on revenues of $1.30bn during the quarter, up from $83m on revenues of $925m the year before. Full-year earnings climbed to $538m from $240m.

Upstream profits at Amoco during the quarter were off 20 per cent from the year before, at $268m. Downstream earnings fell to $102m from $259m due to lower margins.

One-off gains in the latest period amounted to $78m, compared with $120m in the year-ago period. Leaving these aside, fourth-quarter results were down only $6m from the year before, at $458m.

Texaco's figures also reflected the poor conditions in the refining business, although higher production in its non-US exploration and production operations and a small profit from a disposal helped it to report higher earnings for the quarter.

Texaco's downstream businesses recorded earnings of $180m in the quarter and $617m during the year, down from $220m and $649m, respectively.

Exploration and production profits, meanwhile rose 48 per cent during the quarter, to $222m, in spite of a full-year decline of 18 per cent for the year as a whole, to $667m.

The company reported a gain of $18m in the quarter from disposals, compared with a loss of $10m the year before. For the full year, one-off charges were $69m, down from $174m in 1993.

US ENERGY COMPANIES

	Net inc 1994 $m	Net inc 1993 $m	Q4 net inc 1994 $m	Q4 net inc 1993 $m	1994 eps $	1993 eps $	Q4 eps 1994 $	Q4 eps 1993 $
Exxon	5,100	5,280	1,900	1,500	4.07	4.21	1.53	1.20
Texaco	910	1,068	399	339	3.17	3.74	1.49	1.21
Amoco	1,789	1,820	536	584	3.60	3.66	1.08	1.17
Ashland Oil*	-	-	35	58	-	-	0.50	0.83

* Ashland Oil: first quarter, fiscal 1995. Earnings per share: fully diluted

Asia-Pacific aids Digital advance

Digital Equipment, the US computer group, was helped by strong growth in the Asia-Pacific region in its unexpected return to profit announced last week, Mr Bobby Choonavala, regional president said, Reuter reports from Hong Kong.

That second-quarter profit would help the US computer maker pursue its growth in the region, he said.

Digital surprised analysts last week with an $18.9m profit in second-quarter fiscal 1995, its first profit since the fourth quarter of 1993. It lost $72.1m in the same period last year. Global revenues rose 7 per cent to $3.47bn.

Asia-Pacific gave a big boost with revenues up 26 per cent year-on-year, 41 per cent for products and 13 per cent for services, accounting for about 15 per cent of global revenue.

Mr Choonavala said he hoped to improve on the 20-25 per cent annual growth recorded in recent years in the current year. Regional profit figures were not available, but Mr Choonavala noted the region had been in the black during the years the company overall was awash in red ink.

Sales for banking and manufacturing applications were particularly strong.

Fox deal challenges the US establishment

Reuters may gain significant revenue from the link, writes Alice Rawsthorn

When the affiliates of Fox Television gathered in Las Vegas this weekend, they not only saw the usual previews of its summer shows, but were also told that Fox had clinched a deal with Reuters, the international information group, to co-produce an ambitious new service in the US.

The Reuters deal, details of which have not been disclosed, forms an important part of Fox's long-term strategy of challenging the "big three" US television networks – ABC, CBS and NBC – by creating a comprehensive US television service.

For Mr Rupert Murdoch, whose News Corp owns Fox Television, it is intended as the first of a series of joint ventures between Reuters and his international broadcasting interests.

Reuters stands to gain as much as Mr Murdoch. It has been building up its television interests for the past two years. The liaison with Fox and, possibly, with other Murdoch broadcasting businesses, could become a significant source of revenue. It also offers an opportunity for Reuters, aided and abetted by Mr Murdoch, to mount a formidable challenge to Cable News Network, the US "big three" and other international broadcasting organisations in television news.

Although Reuters is one of the world's leading news agencies, it has traditionally used its international network of journalists to supply newspapers and magazines.

It started to develop its television interests two years ago when it took control of Visnews, the broadcast news agency in which it had held a minority stake, by buying out NBC and the BBC.

Reuters then integrated the Visnews operation (renamed Reuters Television) into its editorial offices. This enabled it to expand the original network into a larger and more sophisticated international news-gathering operation at relatively low cost.

The timing was perfect. Reuters had diversified into television at a time of rapidly changing technology. The new generation of television cameras were lighter, more mobile and easier to operate than their predecessors, eradicating the need for large, expensive crews.

Similarly, the availability of satellite feeds made it faster and cheaper to send images.

Reuters invested heavily in equipping its network with the latest technology. Mr Alastair Smellie, media analyst at Lehman Brothers in London, believes new technology has not only given Reuters "significant cost advantages" over its older-established rivals but has made its television news service "very fleet of foot".

The group has since become a regular source of film footage for established television news organisations. It has also secured contracts to supply news services to television companies such as GMTV, the UK breakfast station, and Ostankino 1 in Russia.

The Fox deal is its most ambitious to date. A team of Fox editors based at Reuters' US headquarters in Washington DC will assemble a daily US news service from Reuters' coverage of international events, local input from the Fox affiliates and national reports from Fox and Reuters' US reporting teams.

This arrangement will enable Mr Murdoch to enhance Fox's programming by providing a world-class news service, without the considerable cost of creating one from scratch.

The cost of Sky News, the loss-making 24 hour satellite news channel relayed by BSkyB, the UK satellite company in which Mr Murdoch and Pearson (the parent company of the Financial Times) have stakes, is believed to be £30m ($47.7m) a year.

Mr Murdoch now hopes to replicate the Fox deal in other parts of the world. BSkyB has for some months been in talks with Reuters over plans to set up a joint news operation. This would enable BSkyB, which had previously considered joining forces with ITN, to cut the cost of running Sky News.

Sky News would also be able to use Reuters' international capability to develop a European news service, thereby challenging BBC World, the BBC's 24-hour satellite news service and, possibly, ITN's role as sole news supplier to ITV and Channel 4 in the UK.

Mr Murdoch is also thought to be keen to strike a similar deal between Reuters and Star TV, his Asian satellite service. Star last year was forced to stop its news service to China and Taiwan when the Chinese authorities insisted that it drop its feed from the BBC.

Star set a precedent for a Reuters deal earlier this month when it reached agreement with four of the world's largest record companies – Japan's Sony, Warner of the US, the UK's Thorn-EMI and Bertelsmann of Germany – to take equity stakes in Channel [V], its music video channel.

The announcement of the Fox transaction may help BSkyB and Star to conclude their discussions with Reuters.

Other international news services – such as CNN, the BBC and the US "big three" – have been left to assess the impact of the marriage between Reuters and the indomitable Mr Murdoch.

Chemical side lifts Lyondell earnings

By Tony Jackson in New York

Lyondell Petrochemical, the US producer of commodity petrochemicals, saw its net earnings rise to $223m last year, against $4m before special items in 1993.

The increase was due to sharply higher chemical volume and prices, partly offset by lower earnings from oil refining.

The company said the final quarter, in which earnings rose from $14m to $103m, was the best fourth quarter since the company went public in 1988.

Lyondell was spun off from the oil company Atlantic Richfield, which still holds a 49.9 per cent stake.

Combined sales volume of ethylene, propylene and polymers rose 13 per cent in the year to 6,090m lbs, and by 16 per cent in the last quarter.

The company said it had raised prices for almost all products, in the case of ethylene by around 15 per cent. Further rises are due this month.

The refining operation was hit by poor industry conditions, as well as by closures for maintenance in the final quarter.

Refining profits fell by a third to $54m for the year, and in the fourth quarter there was a $1m loss.

Operating margins in petrochemicals rose from 3 per cent in the year to 20 per cent, and to 30 per cent in the final quarter.

Net margins for the group in the year rose to 5 per cent. This was still well below the peak year of 1988, when net margins were almost 12 per cent.

Lyondell's shares rose $⅛ to $24⅞ in early trading.

Laidlaw buys Mayflower for $157m cash

By Bernard Simon in Toronto

Laidlaw, the Ontario-based waste services and transportation group, will expand its passenger services business by almost one-third with the purchase of the US-based Mayflower Group for US$157m cash.

Mayflower has extensive interests in the school bus and public transport sectors, with annual revenues of about $250m.

The purchase, which is expected to close around the end of the first quarter, excludes Mayflower's moving and storage businesses. Laidlaw earlier this month won the exclusive right to negotiate with Mayflower.

The Mayflower deal will add 6,500 vehicles to Laidlaw's 22,000-strong school bus fleet, and will more than double Laidlaw's public transport operations.

Bell Atlantic in the red after charges

By Tony Jackson in New York

Bell Atlantic, the Philadelphia-based regional telephone company, reported "solid" results for last year, with underlying net earnings up 10 per cent at $1.5bn. However, after extraordinary charges totalling $2.2bn, there was a net loss of $755m.

The company had already announced charges of $2.15bn for accounting changes designed to reflect its move away from a regulated environment.

It also made a charge of $19m in the final quarter for the effect of Mexican devaluation on its 42 per cent holding in Grupo Iusacell, the Mexican mobile phone company. The company said it still believed Iusacell represented "a significant long-term opportunity".

In the final quarter, stated earnings were down 6 per cent at $315m. On a comparable basis, earnings per share were up 6 per cent at $0.76. "We believe that we are positioned for record earnings in 1995," Mr Raymond Smith, chairman, said.

Revenues from the company's traditional local network rose by 4 per cent in the year, with the number of access lines up 3 per cent. Revenues from cellular phones rose 44 per cent, with the number of customers up 58 per cent at 602,000.

In the course of the year Bell Atlantic agreed to merge its domestic cellular business with that of Nynex, the New York-based Baby Bell, and formed a further partnership with US West and AirTouch to bid for wireless licences in the current US government auction.

It also teamed with Nynex and Pacific Telesis to enter the video market.

Merrill Lynch earnings slide in final quarter

By Maggie Urry in New York

Merrill Lynch, the leading Wall Street firm which has recently been overshadowed by the Orange County bankruptcy, reported that fourth-quarter diluted earnings had fallen sharply to 75 cents a share from $1.53.

Until this quarter, Merrill's earnings had held up better than other securities firms' due to its broad spread of activities.

The results were below average market expectations of $1.17. The shares fell $1¼ to $35⅛ in early trading but recovered some of that later.

Mr Daniel Tully, chairman and chief executive, said the results for the whole of 1994, showing net income of $1.02bn, down about 25 per cent on 1993, were still the second highest Merrill had reported.

In the final quarter, net revenues fell 24 per cent to $2.09bn and net income was $162m, down from $347m. Hardest hit were revenues from investment banking, including underwritings of bond and equity issues where Merrill is market leader in the US, which fell 56 per cent to $228m.

Revenues from principal transactions were down a third to $454m and from commissions down 21 per cent to $638m. However, asset management revenues rose 3 per cent to $432m.

For the whole of 1994, revenues were 9 per cent lower at $9.62bn. Earnings per share, on a diluted basis, were $4.74, a fall from $6.11 in 1993, before a 16 cents a share charge for an accounting change.

Mr Tully said costs had been cut, with the largest area, salaries and benefits, down 20 per cent to $1.1bn in the final quarter.

Earlier this month, Merrill cut 180 jobs in its global capital markets division, which was taken as a signal that the firm did not expect the sharp drop in underwritings in 1994 to reverse in the short term.

Slocan Forest plans buy-back to foil bid

By Bernard Simon in Toronto

Vancouver-based Slocan Forest Products has offered to buy back at least 10 per cent of its shares and has gained support from British Columbia's government in its efforts to foil a hostile takeover bid from Canfor Corp, the forest products group.

Slocan said it would pay a minimum of C$18 a share for 4m of its own shares. This corresponds to the cash portion of Canfor's offer. Canfor would swap 0.935 of its own shares for each remaining Slocan share. Its offer expires tonight.

The takeover, which values Slocan at about C$700m (US$493m), would create one of the world's biggest producers of sawn lumber, and would give Canfor a more secure wood chip supply.

However, Mr Andrew Petter, British Columbia's forests minister, expressed concern about the concentration of ownership which would result from the deal. He said more than half the tree-harvesting rights in the province's Prince George region would be controlled by two companies, and that the deal would reduce competition in the wood chip market.

Mr Petter, whose approval is required for any deal, said: "I have difficulty in seeing how the proposed takeover could meet [the government's] policy goals."

Mr Irving Barber, Slocan's chairman, said the share buy-back offer had the advantage of an immediate cash payment to shareholders without the regulatory uncertainties of Canfor's offer.

Slocan has raised its quarterly dividend to 7.5 cents a share from 5 cents.

Stratus Computer's poor figures hit shares

By Louise Kehoe in San Francisco

Stratus Computer shares dropped sharply yesterday when the US company reported much lower than expected fourth-quarter earnings. It said it expected slower growth in sales for the year ahead.

The company's share price dropped 26 per cent to $28⅞ in mid session, down from Friday's close of $39⅛.

Stratus is a leading provider of "fail safe" computer systems to the financial services and telecommunications industries. It reported revenues of $151m for the fourth quarter, up 2 per cent from $148.1m in the same period last year. Net income was $13.4m, or 54 cents a share, compared with a loss of $17.1m, or 72 cents.

The company took a previously announced charge of $7.8m in connection with the recent acquisition of two software companies. Prior to the charge, earnings per share for the fourth quarter were 86 cents. Wall Street analysts had been projecting earnings of about 92 cents a share.

Mr William Foster, Stratus chairman and chief executive, said US hardware sales remained weak, although international sales were stronger, with 46 per cent growth in direct sales and a strong performance by marketing partners.

The company said it would launch a new generation of computers based on Hewlett-Packard chip technology next month.

Mr Foster said revenue growth in 1995 should be "similar to or down slightly from" 1994's consolidated growth rate of 12 per cent. "Earnings per share growth for the full year, excluding the 1994 charge, should be in line with our revenue growth rate."

Revenues for the 1994 fiscal year were $576.6m, up from $513.7m in 1993. Net earnings were $61m, or $2.47 a share, after charges, compared with earnings of $16.6m, or 70 cents, for 1993.

Portuguese banks in fight for supremacy

A sense of urgency underlies the recent spate of bidding activity, reports Peter Wise

Competition between Portugal's banks has changed rapidly from a courteous chess game to a clash of computer-age titans. The success of three pending bids, together worth Es465bn ($2.94bn), would create three dominant groups controlling 65 per cent of the total assets of a sector divided among relatively diminutive groups.

A sense of urgency underlies the struggle for supremacy.

Troubled privatisations have delayed a process of banking consolidation long completed in most of Europe. This has resulted in audacious bids of an unprecedented magnitude for Portugal, whose largest bank ranks only 160th in the world. The bids have come when the banks' performances has weakened.

"Portuguese banks can no longer increase market share significantly through organic growth and have shifted to expansion by acquisition," says a Lisbon economist.

"But the sector is moving beyond the traditional commercial battle for deposits and seeking the improved productivity, cost-cutting, cross-selling opportunities provided by big groups."

Banco Comercial Português, an energetic bank founded eight years ago, is setting the pace. BCP soon became Portugal's fifth largest group and appears determined to move swiftly to the top. Two previous bids to expand through large acquisitions were vetoed by the government last year.

HOW THE BANKS RANK NOW

	Total assets	% of sector	Net profit	% of sector
CGD	5,638	24.5	35.0	20.3
BPA	3,426	14.9	23.5	13.7
BTA	2,650	11.5	23.3	13.5
BES	2,063	8.9	20.7	12.0
BCP	1,927	8.4	22.6	13.1
The ranking if bids are successful				
CGD	5,638	24.5	35.0	20.3
BCP/BPA	5,355	23.3	40.1	26.8
BTA/BPSM*	4,046	17.6	24.3	14.1
BES	2,063	8.9	20.7	12.0

1993 figures in Escudos bn
*BPSM = Banco Pinto e Sotto Mayor, controlled by Mr Champalimaud. Source: Carnegie Portugal

BCP, in partnership with the insurance company Império, has sprung back with a Es300.3bn bid for 100 per cent of Banco Português do Atlântico, the second biggest group. The bid, approved by the government, depends on how successfully BPA's core shareholders, led by the conglomerate Sonae, mount their defence.

The government undermined their strategy last week by announcing it would sell the 24.5 per cent the state still holds in the bank to the highest bidder making an offer for 100 per cent.

The core shareholders, who say the government was committed to selling the stake to them – which would have enabled them to block the bid – are expected to fight the decision in court.

BCP and Império have launched a separate Es11.6bn bid for control of União de Bancos Portugueses – a small retail bank that is part of the BPA group – if they succeed in taking over the parent bank.

Meanwhile, Mr António Champalimaud, a 76-year industrialist who is buying back a business empire nationalised after Portugal's 1974 revolution, has been given government approval to pay Es153bn for 50 per cent of Banco Totta e Açores, the third largest bank. The stake is held directly and indirectly by Banco Español de Crédito (Banesto), the Spanish bank.

It has been welcomed by the government because Banesto side-stepped Portuguese law by acquiring control of more than 25 per cent during the privatisation process.

The bid could run into trouble if Portugal's Securities and Exchange Commission rejects Mr Champalimaud's condition that he be exempted from making a bid for 100 per cent.

"This is an invigorating time for banking in Portugal," says Ms Mari Vargas of Dillon Read Securities in London. "The dynamics of the whole sector are changing fast. The long-term benefits could be enormous. But every player will have to rethink their game."

BCP control of BPA would create a group accounting for 23.3 per cent of the sector's total assets.

Mr Champalimaud would control 17.6 per cent if he added BTA to his assets. State-owned Caixa Geral de Depósitos would remain the biggest group, with 24.5 per cent, but it is not strong in retail banking.

Banks excluded from the large groups may not be happy with their new role as niche forces, and the wave of takeovers and mergers is likely to roll on. For example, the 8.9 per cent market share of Banco Espírito Santo, traditionally one of the top three commercial banks, would leave it far behind the new leaders.

Banking consolidation has arrived late in Portugal largely because of the long process of reversing the revolutionary nationalisations, when the state took over 90 per cent of the financial sector.

Reprivatisation began with BTA in 1989. But several loose ends remain, making the emergence of new groups complex and painful.

Pressure for consolidation has grown stronger as the performance of banks has grown weaker.

Slower profit growth is a result of recession and, more important, a steady increase in competition as privatisation progresses and foreign banks move into the market.

The average financial margin, the difference between the rates at which banks raise and lend funds, has fallen to about 3 per cent from 7 per cent in 1989.

Banks are expected to show a combined loss of Es180bn from narrower margins and lower bond revenue in 1994, equal to the sector's net profits in 1993. Profit growth is forecast to remain relatively flat in 1994 and 1995, before recovering in 1996.

"These bids come at a time when the banking sector, based purely on fundamentals, is looking unattractive due to the slow pace of economic recovery and banks' high provisioning levels," says Mr Trevenen Morris-Grantham, analyst with brokers Carnegie Portugal.

Corning gains 19% before implant charge

By Tony Jackson in New York

Corning, the diversified US manufacturer, raised its net earnings for the year by 19 per cent to $413m before special charges. Fourth-quarter net income rose 18 per cent to $111m.

As previously announced, the company took a $76m charge in the final quarter to cover its share of charges incurred by its joint venture, Dow Corning, over silicone breast implants. Including special charges, net income for the year was $281m compared with a loss of $121m in 1993, which was hit by restructuring costs and Dow Corning charges.

Mr James Houghton, chairman, said there had been large increases in sales of optical fibre. The life sciences division had increased market share, primarily through acquisition.

The consumer products business, consisting chiefly of Corning and Pyrex glassware, returned to profit during the year. Its European consumer business was sold for $86m in November.

Earnings per share for the year were $1.32, against a loss of $0.09. Corning's shares fell $⅞ to $31¼ in early trading.

Pyramid agrees $207m Siemens takeover offer

By Tony Jackson

Pyramid Technology, a Californian maker of computer servers, has agreed to be taken over by Siemens of Germany in a deal worth $207m, or $16 a share.

Talks with Siemens, which already owns 17 per cent of Pyramid, were announced earlier this month.

Siemens said it would start a tender offer for the shares by the end of this week.

The offer requires a majority to be tendered. Pyramid's shares rose $⅝ to $15⅝ in early trading.

Monsanto net income rises to $622m in 1994

By Laurie Morse in Chicago

Monsanto, the US chemicals group, lifted net income to $622m in 1994, equivalent to a record $5.32 a share. That compares with net income of $494m, or $4.10 a share, in 1993.

It was helped by robust Latin American sales of agricultural chemicals and contributions from its Searle pharmaceutical subsidiary. Sales for the year rose to $8.3bn, from 1993's $7.9bn.

In the fourth quarter, Monsanto had net income of $54m, or 51 cents a share, on sales of $2.1bn. That compares with fourth-quarter 1993 net income of $58m, or 49 cents, on sales of $1.9bn. Excluding extraordinary items, Monsanto's fourth-quarter income rose to $76m, or 70 cents, from $65m, or 55 cents, in the 1993 period.

Sales and operating income from Monsanto's NutraSweet subsidiary declined in 1994, reflecting lower prices and slightly lower volumes, the company said.

However, the Searle division reversed a $13m loss in 1993 to turn in a $72m profit. Agricultural group operating income rose to $476m in 1994, from $400m in 1993.

INTERNATIONAL COMPANIES AND FINANCE

Loss on financial operations hits profits at BBV

By Tom Burns in Madrid

Pre-tax profits at Banco Bilbao Vizcaya, the Spanish retail banking group, fell by 5.7 per cent to Pta114.8bn ($875m) last year. The bank was hit by heavy trading losses incurred by its treasury department which dragged down improved core banking earnings.

In 1993 BBV posted pre-tax profits of Pta121.7bn.

After minorities, the bank reported a 1994 net group profit of Pta72.3bn, 1.8 per cent up on the previous year.

Mr Emilio Ybarra, chairman, said Pta40.1bn of the net income would be distributed to shareholders, against Pta39bn in 1993, and that the dividend would be lifted by Pta5 to Pta174.

Mr Ybarra said net losses from financial operations, mainly linked to last year's volatile bond market, totalled Pta32bn, against the Pta50bn earned from trading in 1993. The losses were partly offset by a 13.5 per cent rise in operating profit to Pta180.4bn, by recoveries from bad loans and lower provisions.

Mr Ybarra said that last year had seen the consolidation of a recovery in BBV's core banking business that had set in during 1993. He added that if there were no further trading losses this year, the banking group's profits could strongly improve in 1995.

Net interest revenue improved by 2.1 per cent last year to Pta338.3bn, income from fees was up by 11.2 per cent to Pta111bn and operating costs fell by 1.3 per cent to Pta268.9bn.

Total assets increased last year by 12.3 per cent to Pta13,065bn to make BBV the largest retail bank in Spain in terms of assets.

The buoyant core banking results form the basis for what Mr Ybarra called a 1,000 day strategy to lift BBV's pre-tax profits to Pta175bn by 1997.

Over the next three years Mr Ybarra wants to increase the banking group's dividend per share to Pta250 and its share value to Pta4,500, up from the current Pta3,250.

The strategy involves a rationalisation of the group's banking divisions as well as the opening of 250 new branches. This will compensate for the upsets sustained by BBV last year, when it failed to acquire the Banesto banking group and was outbid in the battle to obtain a licence to operate a second mobile telephony network.

Siemens issues gas turbine challenge

By Andrew Baxter

Siemens, the German industrial group, has thrown down a challenge to its rivals in the world power station market by unveiling what it claims is the world's most efficient gas turbine.

The announcement is likely to intensify the already fierce competition in the market for combined-cycle (gas and steam) power stations, which have taken 37 per cent of all fossil-fired power station orders this decade.

Siemens and its competitors in the industry – the market leader General Electric of the US, ABB, Westinghouse and GEC Alsthom – are all spending heavily to raise the thermal efficiency of their gas turbines.

Very small increases in efficiency can save operators millions of dollars in fuel costs over the lifetime of a power station.

Launching its new 3A series of turbines in Berlin, where the machines are built, Siemens said that during trials its V84.3A machine had achieved an electrical output of 170MW and efficiency in simple-cycle of 38 per cent.

This indicated a "world record" of 58 per cent efficiency in combined cycle – which uses the waste heat from the gas turbine to power a steam turbine. Siemens said the latest turbines were 1.5-2 percentage points more efficient than its existing range.

Developed at a cost of DM100m-DM200m ($65.3m-$130.7m) they mark an important development for Siemens. Although the basic design derives from previous models, the German company has been able for the first time to use aero-engine technology in its gas turbines, as has long been the case at GE.

This is the result of an important technology exchange agreement signed in 1990 between Siemens and Pratt & Whitney, the US aero-engine producer. As a result, the German company was able to introduce improved blade designs, materials and cooling techniques into the turbine section of the machine, and a new compressor design derived from P&W's PW4000 aircraft engine.

The new turbines range from 70MW to 240MW, giving a maximum possible 359MW in combined cycle.

Siemens said this was the largest any company could offer in a single combined-cycle unit.

It has already booked orders for the new gas turbines, to equip power stations in Portugal and Germany, and said it had received letters of intent from two US customers.

Nomura plans Czech, Slovak investment fund

By Vincent Boland in Prague

Nomura International, the Japanese securities house, plans to set up an investment fund of Czech and Slovak shares by transferring assets from VUB Kupon, Slovakia's biggest privatisation fund in which it holds a 31.4 per cent stake, to a new vehicle aimed at foreign investors.

Under the proposal, approved at an extraordinary general meeting of VUB Kupon's shareholders in Bratislava yesterday, Nomura will redeem its stake in the fund and acquire the same percentage of its assets.

VUB Kupon's portfolio of shares in leading Czech and Slovak companies is worth about $400m.

The assets will be placed in an international Slovak and Czech investment fund which will be jointly managed by Nomura and VUB Invest, the investment management arm of Vseobecna Uverova Banka, the leading commercial bank in Slovakia.

Nomura paid $68m for its stake in VUB Kupon in September last year in one of the biggest foreign investments yet in Slovakia.

It has since been looking for ways to reduce the gap between the net asset value of the portfolio and the market value of VUB Kupon's shares, which are listed on the Bratislava stock exchange and trade at a discount of up to 40 per cent.

The proposed changes end weeks of speculation about Nomura's plans for VUB Kupon, and follow heavy trading in the fund's shares in recent weeks.

An over-the-counter trade late last week saw VUB Kupon shares worth about Sk90m ($2.94m) change hands at a level substantially above the official closing price of Sk505 a share.

Nomura will acquire either 31.4 per cent of each of VUB Kupon's shareholdings, or 31.4 per cent of the value of the portfolio in cash.

NEWS DIGEST

Swissair seeks shareholding in Belgian carrier

Swissair wants to buy a stake of 49 to 49.9 per cent in Sabena, Belgium's state-run national carrier, Mr Elio di Rupo, the Belgian transport secretary, confirmed yesterday, writes **Emma Tucker in Brussels.**

However, his suggestion that the Swiss airline was interested in becoming a majority shareholder in Sabena was denied by Swissair which pointed out that such a move would strip the Belgian airline of its status as a European Union carrier.

At a lunch yesterday Mr di Rupo said that to secure its future, Sabena would need between BFr5bn ($160m) and BFr6bn of new capital over the next few months, adding that so far the only serious proposition had come from Swissair.

The minister said the Belgian government was not allowed to inject any more aid into the ailing airline, because this would contravene EU competition rules.

Swissair has been eager to secure a foothold in the EU's deregulated single aviation market. It is also worried that its non-EU status is resulting in unfavourable treatment at important European hubs.

"It would not make sense to buy a majority stake in an EU carrier because then it would cease to be just that," said a spokesman for Swissair yesterday.

The Belgian government cannot go ahead with the sale until Air France has relinquished its interest in Sabena. Air France owns two-thirds of Finacta, which in turn holds 37.5 per cent in Sabena. However, the two airlines are understood to be nearing a divorce agreement. The French carrier, undergoing a far-reaching restructuring, initially resisted the sale of its stake but shifted its position after it came under strong pressure from the Belgian airline.

Randgold mines make steady progress

Randgold, the troubled South African gold producer, has reported generally satisfactory results for its mines during the quarter ending in December, but pressure on margins across all operations remains tight, writes **Mark Suzman in Johannesburg.**

East Rand Proprietary Mines reported a rise in after-tax profits to R11.3m ($3.2m), up from R8.5m previously as production remained almost unchanged at 1,687kg. But the figures continue to fall short of estimates made at the time of the company's 1993 rights issue.

Durban Roodepoort Deep, the mine threatened with closure by previous management, cut its net loss to R4.1m from R20.9m as the planned downsizing continued and production dropped to 293kg from 315kg in the September quarter. The company also confirmed that an agreement had been reached on a proposed merger with the neighbouring Rand Leases mine. Details will be announced next month.

In spite of lower production resulting from a cage accident in its Merriespruit shaft, Harmony saw after-tax profit rebound to R22.8m from R11.8m as the effects of last quarter's hedging cancellation costs disappeared from the bottom line.

However, continued low yield at Blyvooruitzicht, which slipped to 5.3 grammes/tonne from 5.64 grammes/tonne, caused a drop in production, leading to a sharp rise in the mine's working loss to R8.6m, up from R1.6m. As a result, the mine has been forced to retrench 3,000 workers and management said it is considering merging, selling or downsizing the mine's underground operations.

Dolphin buys stake in Greek cruise operator

Dolphin Cruise Line, a Greek-owned company based in Miami, is to acquire a 33 per cent stake in Epirotiki Cruise Lines, Greece's biggest cruise ship operator, which is restructuring to meet sharpening competition in the Mediterranean and Caribbean markets, writes **Kerin Hope in Athens.**

Under the restructuring plan, Epirotiki's existing US partner, Carnival Corporation, is to raise its stake in Epirotiki from 43 to 49 per cent. Epir Holdings, controlled by the Potamianos family which founded Epirotiki, will retain the rest of the company's shares.

Epirotiki, which operates nine Greek-registered ships, is the leading cruise operator in the eastern Mediterranean. It carries more than 300,000 passengers a year, mainly on Aegean island cruises, but also operates winter cruises in the Caribbean.

A company official said the price of Dolphin's stake in Epirotiki was still being negotiated but would be covered through the transfer to Epirotiki of cruise vessels belonging to Dolphin and its sister company, Majesty Cruise Line.

The two companies, owned by Mr Paris Katsoufis, a former cruise ship captain, operate four vessels, mainly in the Caribbean. Carnival Corporation, listed on the New York Stock Exchange, operates 21 ships and claims to be the world's largest cruise operator in terms of passengers carried. It focuses on the Caribbean, where it operates four "mega-ships" capable of carrying 2,000 passengers each.

Property warning hits Suez shares

Shares in Suez, the French financial services and investment group, dropped more than 5 per cent yesterday following a warning over the weekend about heavy additional property losses in its 1994 results, writes **Andrew Jack in Paris.**

Mr Gérard Worms, chairman, said in a French radio station interview at the weekend that the group results would be "very modest" and that there would be an impact on the full year accounts due to property losses of FFr2.5bn to FFr3bn. He said total losses from property in the group would reach FFr15bn ($2.87bn) from its portfolio of FFr30bn.

"The [property] market, alas, has not recovered," he told Radio Classique. He added that the group was having to pay back FFr500m following adjustments in the acquisition of its controlling stake in Victoire by Commercial Union, the UK's largest insurance group, last year.

He said that the results excluding property and the Victoire sale would be about FFr3bn.

Stanbic buys Barclays' Lesotho interests

Stanbic, the South African banking group, has announced that it has acquired Barclays Bank's interests in Lesotho, writes **Mark Suzman.** The takeover, which has been approved by both South African and Lesothan authorities, will take effect on February 1 and the bank will be renamed Stanbic Lesotho.

The acquisition marks a continuation of Stanbic's expansion in Africa and the group, South Africa's second largest, now has representation in 13 African countries. Lesotho was previously the only southern African country in which Stanbic was not represented.

Mr Eddie Theron, group managing director, said the move would help raise Stanbic's profile on the continent. "We believe this acquisition will further strengthen the group's capacity for facilitating trade flows in Africa," he said.

Australian Woolworths rings up record sales

Woolworths, Australia's largest food retailer, yesterday said it achieved a record sales of A$6.9bn (US$5.3bn) in the half-year to January 8, writes **Emilia Tagaza in Melbourne.**

The figure is 11.8 per cent up on sales of A$6.1bn achieved in the corresponding period of the previous year. The company said comparable stores posted an average sales increase of 8.5 per cent for the period, "a good performance in an extremely competitive market."

The company forecast that profits for the period would be "ahead of the rate of increase in sales."

Woolworths' food group recorded total sales of A$5.8bn during the period while the general merchandise group recorded a 12.3 per cent rise in sales to A$865.5m.

CBOE gears up for warrant offerings

The Chicago Board Options Exchange has formed a new Capital Markets Division and is gearing up for its first-ever warrant offerings, writes **Laurie Morse in Chicago.**

The move, which is an attempt to win a larger share of the market for structured financial instruments, puts it in direct competition with the American Stock Exchange, which pioneered listed trading of privately-issued warrants.

The CBOE is the world's largest marketplace for standard options on shares of individual companies and on broad-based equity indices such as the Standard and Poor's 100 and the FT-SE 100. These options – which give its owner the right, but not the obligation to buy or sell a particular security at a specific price – typically have expiration periods of two years or less and are issued by the exchange. Warrants resemble options, but are issued by dealers, generally have expirations of three years or more, and can be highly structured.

The CBOE, meanwhile, has hired Mr Ben Krause, formerly the head of the American Stock Exchange's Capital Markets Group, to be senior managing director of its new division.

Australis Media in pay-TV launch

Australis Media said it planned to launch its pay-television service, Galaxy TV, on Thursday, to become the first pay-TV broadcaster in Australia, **Reuter reports from Sydney.** It said Galaxy's first channel to go on air would be the Premier Sports Network, which will feature international and local sports.

The company said it has also contracted with NBC, the US broadcaster, to supply news for its news channel. This channel, ANBC, which also starts on Thursday, will use NBC's business news service and offer news, features and market reports from CNBC in the US, Europe and Asia.

Australis said ANBC would be the first international business and financial news channel available to Australia. It said the service would be live for 10 hours each weekday from Hong Kong and other important financial centres throughout Asia.

Yong resigns from Berjaya Group

Berjaya Group and Berjaya Industrial said Mr Yong Teck Meng had resigned as group executive director with effect from January 20, **AP-DJ reports from Kuala Lumpur.**

In a statement, the Malaysian conglomerate controlled by Mr Vincent Tan, said Mr Yong has also resigned as director of Berjaya Leisure, Berjaya Singer, Unza Holdings and Top-Group Holdings In a separate statement, Berjaya Textiles also announced Mr Yong's resignation as director of the company.

Mr Yong, together with another executive of the Berjaya Group, was suspended last December for involvement in an unauthorised interest-rate swap transaction which is said to have incurred a loss of US$14m.

COMPANY NEWS: UK

Options windfall from merger may average nearly £10,000 a head

Wellcome staff could net £170m

By David Wighton and William Lewis

Wellcome directors and staff will make a record profit of more than £170m ($268m) on share options if the £9.4bn bid from Glaxo is successful.

The windfall is equivalent to almost £10,000 a head across Wellcome's 17,500-strong workforce. However, the gains will be concentrated among directors and senior executives.

One of the biggest beneficiaries is likely to be Mr John Robb, who was appointed chairman and chief executive in 1993. According to Wellcome's last annual report, Mr Robb had 250,756 share options. Mr Philip Tracy, another Wellcome director, held 172,670.

Wellcome had 45m share options outstanding at the end of August 1993, more than 5 per cent of the issued equity.

Although many are not exercisable for some years, it is thought all will be triggered by a change of control, at the bid price, costing Glaxo more than £450m gross. The total exercise cost at the last balance sheet date was £278m, which will flow back into Wellcome's balance sheet. This will leave Glaxo with a net cost of £172m.

Of the 45m share options outstanding at August 31 1993, more than 12m were in the executive share option scheme. The prices ranged from £1.20 to £10.58. The US management stock option plan covered 9m and the US employee stock purchase rights plan a further 13m. There were 2.6m shares under the UK sharesave scheme at prices ranging from £1.29 to £7.11.

Record corporate loan raised for bid

By David Wighton and Martin Brice

Glaxo last week raised the biggest corporate loan ever seen in the UK, signing more than £8.5bn in new bank facilities to fund the £9.4bn offer for Wellcome.

No details of the arrangements were disclosed, but it is thought that they consist of bilateral agreements with fewer than 10 banks, each of which has committed an average of more than £700m. They are thought to include NatWest, Glaxo's lead banker, and Union Bank of Switzerland. Other likely participants are Deutsche, HSBC, Barclays and Swiss Bank Corporation.

Glaxo's advisers say the arrangements are not short-term which suggest that the banks will sell down some of their exposure to other banks. One banker said: "This is a short-term bridging, to get the thing done, by a few banks. Beyond that there is a commitment for a longer period. It will be going into syndication."

Glaxo would not comment on the terms of the loans but bankers believe it will have got good prices, given the healthy state of the market and its strong credit rating. However, the speed of the negotiations and size of the commitments may have enabled the banks to push up their rates.

Analysts estimate that the new debt will take Glaxo's gearing to over 300 per cent. However, even if it pays 8 per cent for the new facilities Glaxo's interest bill would be covered eight to 10 times by operating profits.

Glaxo's advisers said the amount of debt involved in the funding of the bid, which is cheaper than equity, was the highest that was "reasonable, without generating risk".

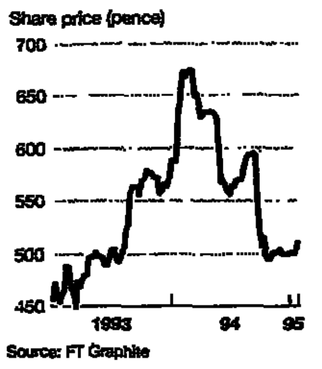
Glaxo is being advised by Lazard Brothers with stockbroker Hoare Govett. Wellcome's joint financial advisers are Baring Brothers and Morgan Stanley with Cazenove acting as brokers. SG Warburg, which was broker to Glaxo and joint adviser and broker to Wellcome, has stepped down from both sides.

Menzies advances by 16% to £7.3m

By Peter Pearse

John Menzies, the wholesale and retail chain, lifted pre-tax profits 16 per cent from £6.3m to £7.3m ($11.4m) in the six months to October 29, "a time," said Mr Ranald Noel-Paton, managing director, "when trading continued to be very difficult". Lower interest charges of £500,000 (£800,000) helped the pre-tax rise and Mr Noel-Paton was pleased with the group's emphasis on productivity and the management of working capital and cash, which led to the businesses' strong cash flows.

John Menzies



Source: FT Graphite

The group said that, after a poor lead-up to Christmas, like-for-like sales over the holiday rose by 5 per cent. Within this, Early Learning Centre (excluding its new superstores) saw an 11 per cent advance, while JM Retail's sales grew only 2-3 per cent.

Sales over the six months were "very flat", said Mr Noel-Paton, rising only £2.3m to £575.4m. He said this reflected the impact of the newspaper price wars, the rail strikes, and the lack of a "feelgood factor".

News International's new contracts with WH Smith and independent distributors would reduce Menzies' share of NI distribution from 23 to 19 per cent, and he was "disappointed" to lose the contract for Glasgow to an independent. However, he said the group had recently gained from a new deal with IPC's Marketforce and he hoped the same would happen with Emap's Frontline.

He maintained that Menzies continued to have "muscular national coverage". There was always going to be downward pressure on margins which only the multiples could withstand.

Maintaining volumes at good productivity levels was the key, he said. Currently Menzies has 62 distribution centres. In two years this would reduce to 35.

Brendan Higgins

Ranald Noel-Paton (left) and John Menzies, the chairman

ELC now has 11 superstores out of a total 186 stores. While sales have grown, Mr Noel-Paton said start-up costs had knocked about £500,000 off last year's level, but that profits would jump in year two.

● **COMMENT**

Mr Rupert Murdoch's shake-up of newspaper distribution could have an upside as well as a downside. Menzies' loss of share could knock £1m of this year's profits, but if smaller independents go to the wall, there will be other share to pick up. Slowly the distribution operation is getting more efficient, but "slowly" seems a defining word for the group. The updating of JM Retail should be hastened, though there have been problems getting the right format. Given a choice of banana skins or caution, however, investors may prefer the latter, though with forecast pre-tax profits for the year at about £36m-£37m and earnings of 42p, the shares – on a multiple of 12.2 – look a little under value, however the prospects are far from exciting.

Christies reorganises Asian interests

By Joan Gray

Christies International, the fine art auction house, is to restructure its operations in Asia, one of its most rapidly growing areas of activity.

It has agreed with John Swire, owner of Cathay Pacific, the Hong Kong-based airline, that it will acquire Swire's 40 per cent holding in Christie's Swire, giving it 100 per cent ownership.

The initial consideration is £1.2m ($1.9m) cash, including repayment of loans. A further cash consideration of up to £4m may be payable if Christies sells shares in the business in the next four years.

The auction businesses in Hong Kong and Taiwan currently trading under the name of Christie's Swire will now operate under the name of Christie's.

Christies has been concentrating on developing its presence in east Asia, one of the fastest-growing art markets. Spring sales in Hong Kong grew by 50 per cent last year against a 19 per cent growth in auction sales overall for the six months to June 30.

It became the first western auction house with a presence in China with the opening of its Shanghai office last year, and is considering further investment.

Warning hits shares in Storm

By Gary Evans

Storm Group, which is involved with intellectual property rights relating to toys and cartoon characters, yesterday warned that first-half progress had not been maintained and 1994 would show an overall loss.

Mr James Driscoll, chairman, said: "The number of licensing deals and television sales that are either being finalised or are in negotiation in the UK, the US and Japan leads the board to conclude that these prospective revenues have not been lost, but have been deferred into 1995."

In addition, there were one-off expenses associated with discontinued activities and further group streamlining.

The shares fell 1½p to 11p.

In 1993, USM-quoted Storm made pre-tax profits of £122,000, compared with previous losses of £2.1m restated for FRS 3. First-half 1994 profits were £72,000.

The company had concluded two contracts for the broadcasting of "The Wombles" and of "Huxley Pig" in Japan in the spring. Associated licensing programmes for these contracts had been launched.

Mr Driscoll revealed that the company had been in talks with a number of parties about a possible acquisition which "would create a more broadly based group with both a more substantial product base and a more stable income stream."

Ashley Ashwood

Shock tactics: David Morris takes to the streets with his message

Northern Electric makes special dividend promise

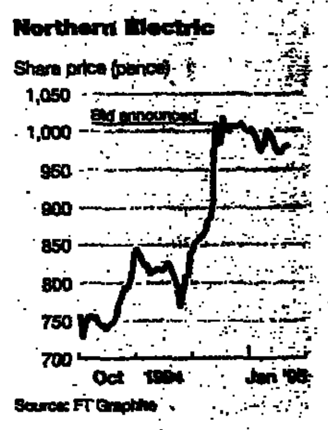
By Peggy Hollinger

Northern Electric, the utility which is defending a hostile £1.2bn ($1.87bn) bid from Trafalgar House, yesterday promised to pass to its shareholders any special dividends agreed as part of the proposed demerger of the National Grid later this year.

The promise came as the company launched its formal defence in response to Trafalgar's cash offer of £10.48p a share. Last night the shares closed unchanged at 980p.

Most of the other 12 regional electricity companies are expected to use a special dividend to offset estimated tax liabilities of about £1bn to be incurred on demerger of the Grid. It has been estimated that the Recs could take about £750m out of the Grid before demerger. This could leave Northern's shareholders with a special payment of about 35p per share, as well as Grid shares if they reject Trafalgar's bid.

Northern Electric



Source: FT Graphite

Northern also accused Trafalgar of witholding the true value of the National Grid from shareholders. It said Trafalgar would only give shareholders the value of the Grid after it had deducted the cost of tax liabilities and any customer rebate agreed with the government.

Mr David Morris, Northern's chairman, also called for the bid to be referred to the Monopolies and Mergers Commission on the grounds of public interest. Politicians would have to be "satisfied that the customer interest is properly protected" before allowing a bid for a utility, he said. There was no reason why Trafalgar House should not come back to bid after an MMC inquiry, he said. "We are not seeking to make ourselves immune from a takeover."

Trafalgar House meanwhile accused Northern of trying to distract shareholders from the central issues. "If you do not want our convertible paper, take cash," said Mr Nigel Rich, chief executive. "If you want to continue to own rec shares, take the cash and buy others. They are all trading at significantly lower prices."

Northern investors welcomed its promises to return value to shareholders, which was interpreted by some to mean further share buy-backs and possibly other special dividends. "Some of the initial skirmishing seemed to have more to do with blocking the bid, instead of establishing shareholder value," one institution said.

Northern also revealed in its defence document that the board agreed a £30,000 pay rise to £180,000 for Mr Tony Hadfield, the chief executive, the day after Trafalgar launched its bid. The company said this reflected increased responsibilities assumed from Mr Morris, whose salary was decreased from £187,000 to £129,500.

The defence document also showed that the five Northern executive directors received 268,086 share options last year at prices of between 656p and 706p.

Meanwhile, Swiss Bank Corporation, Trafalgar's adviser, has increased its stake in Northern to 4.87 per cent.

ICI sells 60% stake in Flex Products

By James Whittington

Imperial Chemical Industries is selling its 60 per cent stake in California-based Flex Products to its joint venture partner Optical Coatings Laboratory, also in California, and Sicpa Holdings, a privately held Swiss company.

ICI said the value of the transaction was "substantially less than one per cent of the group's net assets", £6.8bn ($10.6bn) at the end of 1993, and was part of an overall strategy of disposing of non-core businesses.

Flex, which manufactures optical coatings products such as those used in anti-counterfeiting ink, was founded in the early eighties and had sales of about $24m in 1994.

NEWS DIGEST

Charter sells US coal assets

Charter Group subsidiary Shand Mining, which operates five opencast coal mines in Indiana, US, is selling all its operating assets to Black Beauty Coal Company for an initial $5.5m.

There will also be a royalty payment of 44 cents per ton of coal produced from the reserves. Total royalty payments under the agreement are expected to be about $15m over 10 years, while the maximum royalty payable is $26m.

Net book value at March 31 1994 of assets and liabilities being sold was £15.2m ($23.7m), equal to 4.1 per cent of Charter's shareholders' funds at that date.

Howden buy

Howden Group, the engineering equipment company, has acquired Burton Corblin, based in Nogent-sur-Oise, France, and its US associate for FFr48m ($9.04m) cash.

The company makes equipment for the petrochemical and oil and gas industries. In the year to March 31 it made operating profits of £900,000 ($1.4m) and had operating net assets at the period end of £4.9m.

AH Ball in the red

The costs of completing loss-making contracts and difficulties at its KD Process International subsidiary left AH Ball, the civil engineer, with a pre-tax loss of £3.71m ($5.78m) for the six months to September 30.

The outcome compared with a deficit of £40,000 last time and with a loss of £405,000 at the March 31 year-end. Turnover for the period, however, grew from £4.15m to £4.46m.

Mr Tom Austin, chairman, said that the results included a £223,000 provision for costs associated with completion of existing contracts and reorganisation of the group.

In addition, in view of the fundamental reorganisation of KD's activities, there was a full write-off of goodwill amounting to £3.35m. During the reorganisation KD will not pursue further orders.

The group's use of overdraft facilities rose from £258,000 to £554,000 over the period, resulting in an increased interest charge of £44,000 (£35,000).

Losses per share came out at 40.87p (0.2p) and the interim dividend is passed (1p). The company's shares fell 2p to 21p.

Chemex listing

Chemex International, the chemical analysis company, is moving up from the Unlisted Securities Market to a full Stock Exchange listing. It is expected that dealings will begin on Thursday.

The company, the ultimate owner of which is Deangate Investments, also announced a joint venture with The Environmental Measurement Company to provide an air pollution measuring service within Europe.

Hunterprint chief

Mr Pierre-Karl Peladeau, European president of Quebecor, North America's second largest printing company, has been appointed chairman of Hunterprint, the UK printer it acquired last week.

He will be joined on the board by Mr Robert Clark, who becomes chief executive.

Mr Anthony Caplin, chief executive and Mr Geoffrey Eades, finance director, will leave at the end of February.

Seacon lifts pay-out

Despite a 45 per cent fall in pre-tax profits at Seacon Holdings, the USM-traded shipping group's directors have recommended an increased final dividend of 1.43p, to give a total for the year of 2.4p. This compares with last year's final of 1.36p, giving a total of 2.28p, allowing for a share split last March.

The pre-tax figure for the year to September 30 was £938,000, ($1.46m) compared with £1.72m, on turnover unchanged at £19.3m.

Mr Chris Roth, chairman, said the result was in line with the group's own projections and the fall related almost entirely to development of its new terminal at Tower Wharf in Northfleet, Kent.

Earnings per share emerged at 2.5p (4.61p). Subject to shareholder approval, the group will make a 1-for-10 scrip issue to mark its 40th anniversary.

Computer services floats fail to meet expectations

Former McDonnell Douglas offshoot warnings create concern about sector. Paul Taylor reports

The UK computer software and services industry has been shaken by disappointing announcements from two recently floated companies.

Ten days ago, McDonnell Information Systems – a former subsidiary of McDonnell Douglas, the US aerospace group – issued its second profits warning in four months. Two days later, Coda, the Harrogate-based accountancy software company, announced a £7.99m ($12.5m) full-year pre-tax loss, its first deficit for 15 years.

Shares in both companies were marked sharply lower as analysts downgraded their profit forecasts in the wake of the announcements.

MDIS shares, floated by Barings at 260p in March last year, closed yesterday at 72p; shares in Coda, which came to market through a placing by SG Warburg in February at 235p, closed at 102p.

The reversal at MDIS is particularly startling.

The 25-year-old company has long been considered a solid performer, with strong positions in local government, the health service, police authorities and the banking sector. Its flotation valued the group at £260m, making it the biggest of the 15 UK software and computing services new issues last year.

Shares in the company first fell sharply in late September when it reported interim results well below market expectations. The departure of Mr Ian Knox, finance director, was accompanied by a warning 10 days ago, when MDIS said that trading in the 1994 second half "had not met the board's expectations".

The group blamed its problems on a slippage of orders in the public sector and a lack of orders for its flagship international banking system software. It had also suffered from a £2.5m trading loss in a recently acquired business and higher than expected research and development expenditure.

In the wake of the trading statement, analysts, including County NatWest, the house broker, cut their full year profit forecasts from between £13.5m and £17m to around £7.5m.

Coda compounded the crisis of confidence in the sector by passing its final dividend after its unexpected £7.99m full year loss, struck after a £3m contribution to employee share ownership plans and a 67 per cent increase to £5m in research and development spending. The company was also hit by an earlier than expected decline in proprietary product revenues, and the poor performance of its US operations.

MDIS and Coda are not the only disappointing performers among new flotations in a troubled sector.

Among the new issues, only Unipalm's shares were trading at any significant premium at the end of December, according to the sector newsletter System House. The average discount by the year end was 23 per cent.

The City does not understand the area particularly well, and the problems experienced by some companies have cast a shadow over the whole sector. Aside from the sometimes arcane technology involved, one of the difficulties in understanding – and forecasting – the performance of individual companies is that they do not form a homogeneous group.

Thus while MDIS' problems stem in part from its failure to sell more copies of a highly priced banking software, Coda has suffered because of a faster than expected decline in the market for its older software.

Mr Richard Holway, publisher of the System House newsletter, believes there are nevertheless some general lessons for investors. He argues that the quality of earnings for some software and services companies is not as sound as they would have people believe; and he suggests that the forecasting skills of some of those involved in recent flotations leaves much to be desired.

And, he says, "the software products area is not the growth area it was for the previous two decades.

"It is the services area which is growing fastest."

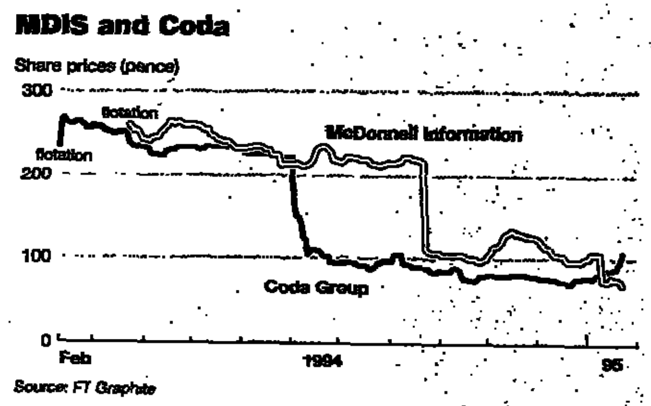
This view is supported by results from companies like Cray Electronics, which show particular growth in the system integration business. Software product vendors are facing the same problems as those which beset hardware companies five years ago, as their customers move away from proprietary systems and opt instead for "open" software which can run on a range of hardware.

This move means increased competition and reduced margins for the software vendors, just as they are having to spend more on R&D to meet customer requirements.

Analysts believe these market conditions will accelerate the process of consolidation already apparent in the software industry, in the UK and overseas.

In the meantime, Mr Holway's advice to institutional investors and others interested in the sector is to become more selective.

MDIS and Coda



Source: FT Graphite

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Ball (AH)	6 mths to Sept 30	4.46	(4.15)	3.71L★	(0.04L)	40.87L	(0.2)	nil	-	-	-	-
London Cremation	6 mths to Sept 30	0.72	(0.68)	0.04	(0.08)	‡-	(-)	-	-	1	-	1
Menzies (John)	6 mths to Oct 29	575.4	(573.1)	7.3	(6.3)	7.6	(5.9)	4.6	Apr 1	4.1	-	11.8
Seacon Holdings§	Yr to Sept 30	19.3	(19.3)	0.94	(1.72)	2.5	(4.61)	1.43	Apr 3	1.36ψ	2.4	2.28

Investment Trusts		NAV (p)		Net Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Derby	Yr to Dec 31	443	(494)	2.09	(2.12)	17.7126	(17.9532)	10.6106	Feb 28	8.7049	17.7126	17.9532☆
GT Japan	6 mths to Dec 31	249.8	(243.6)	0.31	(0.61)	0.49	(0.98)	0.4	Mar 3	0.4	-	1.5♦

Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. §USM stock. ψAdjusted for share split. ★Includes £223,000 provision and £3.35m goodwill write-off. ‡Pref shares only listed. ☆Includes special interim of 2.96p. ♦Includes special payment of 0.25p.

طبق الأصل من

COMMODITIES AND AGRICULTURE

Gold price rally runs into options-related selling

By Kenneth Gooding, Mining Correspondent

Gold bulls suffered a severe disappointment yesterday when the price, which had seemed ready to advance to US$390 a troy ounce, instead dropped back under the pressure of options-related selling.

After the price was "fixed" in London at $385.10, its highest for nine weeks, the bulls hoped for a continuation of the rally which started late on Friday in New York. Instead selling started and by the close in London yesterday gold was down $2 an ounce from Friday's close at $382.10.

"Gold will have difficulty breaking decisively above $385-$390 in coming weeks," suggested Mr Ted Arnold, analyst at Merrill Lynch in his latest metals report.

Mr Andy Smith, analyst at Union Bank of Switzerland, pointed out that gold rose only $8 in the past week, one which had seen armed conflict in Chechenya, speculation about the failing health of the Chinese leader, Den Xiaoping, a major earthquake in Japan, and an economic crisis in Mexico. "That's a hard act to follow for one week." There had been suggestions that investors would turn to gold if the US dollar weakened further, but "the next dollar crisis would have to be a big one," Mr Smith insisted.

Merrill's Mr Arnold cited three factors that had caused him to lower by $10 an ounce the top end of gold's expected trading range. Probably the most important was a change in sentiment among North American dealers and fund managers who were now becoming much more bearish and "more amenable to trading gold on the short side".

Also more producers were willing to sell forward and they had lowered their target levels from more than $400 to $385-$390. The third change was the emergence of "modest disinvestment selling" from the Middle East, mostly Saudi Arabia. Many Middle East sellers who had been waiting for prices above $400 would now be happy to disinvest at prices above $385, said Mr Arnold.

As for the bottom end of gold's trading range, some Swiss and UK bullion houses were aiming for between $370 and $360 an ounce and some believed.

Minerals enlisted to fight hunger

By Alison Maitland

An international research programme is being launched today to develop mineral-enriched varieties of the world's most common food crops in a bid to prevent widespread malnutrition and disease while improving yields.

Crops enriched with essential minerals such as zinc and iron could be ready for commercial use by farmers within six to ten years, according to Mr Howarth Bouis, Washington-based director of the "micronutrients" project.

Research on wheat varieties in Australia has shown that plants that take up zinc from the soil are more productive. As they are more vigorous and have stronger root systems, they also need fewer chemical inputs and less irrigation.

"This is a low-cost approach to fighting malnutrition that could improve farm productivity and benefit the environment at the same time," said Mr Bouis. "If the crops are drought resistant and high-yielding, then they may be grown on a fairly wide basis. That is what's so exciting."

The project is being launched by the Consultative Group on International Agricultural Research, an informal grouping of countries and organisations linked to the World Bank. It is seeking $7m-$8m over five years from private foundations, companies and multilateral agencies to fund research into mineral-enriched corn, rice, wheat, beans and cassava.

Mr Bouis said research would focus on developing varieties capable not only of absorbing minerals such as zinc and iron from the soil but also transferring them into the seed head, which humans eat.

The main staple food crops generally lack enough essential vitamins and minerals to prevent health problems in the developing world such as anaemia, blindness and retarded growth. But some varieties have roots that emit chemical substances into the soil. These "unbind" minerals such as zinc from other minerals and allow them to be absorbed.

Plant breeding can select for such characteristics, including transferring large amounts of these minerals to the seeds, said Mr Bouis.

Soil depletion should not be a problem with the new varieties because "there's enough zinc in the soil for thousands of crops."

Mr Bouis began investigating the possibilities 18 months ago and was told by researchers at Cornell University in the US: "It's a win-win situation".

The research will be co-ordinated by the International Food Policy Research Institute in Washington and carried out by agricultural centres in Colombia, Mexico, Australia, the Philippines and the US.

"We are starting our research on iron and zinc because they provide benefits to human nutrition and have advantages for farmers," said Mr Bouis. "We would also like to research the viability of breeding for plants with a high vitamin A content, but vitamin A does not aid in plant nutrition and therefore would not provide higher yields."

Aluminium producers open a can of worms

Kenneth Gooding reports on a furore over a new US pricing formula for can sheet

A big split of opinion has opened up between US and European aluminium groups about the pricing of can sheet, a material used to make drinks cans, which accounts for about 14 per cent of total aluminium demand outside the former Soviet Union.

Alcoa, the biggest aluminium group, has this year introduced a new pricing formula for can sheet in the US and other domestic producers quickly followed its lead. The formula has raised can prices by more than 50 per cent from the 1994 level and caused a furore among consumers. The change has also shifted the risk associated with the sometimes violent swings in the market price of primary aluminium, the raw material for can sheet, from the producers to the can makers.

US can makers are complaining that they have never ever faced such a big jump in raw material prices. The National Soft Drink Association says the jump is adding 2 cents to the cost of each can and $1.2bn to total costs.

Meanwhile, soft drinks and beer makers, are threatening to switch away from aluminium cans to other packages – to plastic bottles in the US and to glass and plastic bottles and tin-plated steel cans in other parts of the world.

Two consumers have hired a Washington lawyer to investigate whether the aluminium producers could successfully be prosecuted for anti-trust violations.

The US moves have also met with criticism from a more unexpected quarter. Mr Gérard Hauser, chairman and chief executive of Pechiney Rhenalu, the French group that claims to be Europe's biggest can sheet maker, suggests the US producers have gone too far and his group is not following the new US pricing formula. He says it is also ill-advised for producers to insist on linking can sheet prices with those for primary aluminium on the London Metal Exchange.

LME prices are frequently volatile because of the influence of traders and, more recently, investment funds, that sometimes ignore the fundamentals of supply and demand. Consumers hate volatility, Mr Hauser points out. Producers should strive for long-term, stable can sheet prices if the aluminium industry is to continue to win business away from other packaging materials.

In an ideal world, he suggests, can sheet producers would offer customers firm prices for three to five years ahead, possibly with minimum and maximum levels within a very small range. However, this pricing system would have to take account of the replacement cost of plant and equipment – replacing Pechiney Rhenalu's plant at Neuf-Brisach, on the river Rhine near the border with Germany, would cost US$2bn.

Competition between the various types of packaging is particularly intense in Europe and for this reason the North American producers have also shied away from attempting to impose the US formula there. Alcan of Canada, for example, said it was continuing its previous policy of negotiating individual deals with European customers. The US can sheet market is more important to the producers – it accounts for about 10 per cent of total western world annual aluminium demand.

Nevertheless, can sheet prices are being pushed up strongly in Europe. Pechiney Rhenalu is taking advantage of present strong demand to lift prices from very depressed 1994 levels by 17 per cent for can body sheet and more than 20 per cent for can end sheet.

Mr Hauser says this takes prices only back to nominal 1991 levels. "But I can understand why users are complaining because we are making up for three years of falling prices in one year."

Mr Hauser says that in the US five years ago body sheet prices were $1.25 a pound. In 1995 companies are charging about $1.22. Also, during those five years the amount of aluminium per can has also been reduced by about 8 per cent. So there are more cans per pound of aluminium.

Buyers of canned soft drinks took all the benefit of falling primary aluminium prices – caused by a glut of imports from Russia – because of the so-called "cola wars" in the US. Price cuts were passed on by what Mr Hauser describes as "a chain of blackmail" from can sheet producers, to can makers to can fillers and then to the final drinks consumer.

By last year can sheet prices in the US had dropped to an average of about 78 cents a pound and all the mills were making losses. Companies needed to change this situation quickly, but the jump to $1.22 is of more than 50 per cent, "too big a step up at one time", Mr Hauser insists.

Nevertheless, the new US pricing formula, helped by very strong demand and cuts that have removed surplus production capacity, seems to be holding. Mr Nick Mason, analyst at the CRU International consultancy organisation, says: "It seems as if the mechanism has been widely accepted in the US. Fillers are frightened by the big increase in one jump but the US aluminium industry suffered a prolonged period of low prices and shareholders expect companies to take advantage of the present strong market.

"Something had to be done because, when prices fall again shareholders would not stand another period with can sheet prices just above the cost of primary metal".

He says can makers and fillers were shocked by the speed at which other producers followed Alcoa's lead "but I am sure Alcoa was equally shocked by the way the primary aluminium price rocketed shortly after the new formula was launched".

Mr Mason believes the situation offers the plastics and steel industries a competitive opportunity, particularly in Europe. Steel and plastic prices are rising, but not as strongly as aluminium's price.

However, Mr Stewart Spector, author of the Spector Report on the industry, suggests: "The threat of substitution is much ado about nothing. The [can sheet] mills will find it hard just to keep up with the growth in beverage demand. Besides, it is nearly impossible for end users to convert to other containers without causing capacity constraints and rising prices for plastic and steel containes. That makes it impracticable to convert on a large scale".

Pechiney Rhenalu's Mr Hauser is not complacent, however, and says he is very conscious of competition from steel and plastics. But he is comforted by the fact that last year Neuf-Brisach's output (48 per cent of it of can sheet) jumped by 20 per cent, from 290,000 to 343,000 tonnes, and at present his company's mills are working flat out to meet demand.

Jamaican bauxite strike spreads

By Canute James in Kingston

A strike in Jamaica's bauxite (aluminium ore) refining industry spread yesterday, closing two more refineries. The plants, owned by Alcan Jamaica Company, a subsidiary of Alcan of Canada, were shut down after unions ordered workers to stay home to protest the level of the company's offer of a new wage contract.

The refineries have a total alumina (aluminium oxide) capacity of 1.1m tonnes a year and the closure has left idle 75 per cent of the island's refining capacity. Alumina Partners, Jamaica's biggest refinery with rated capacity of 1.45m tonnes a year, was closed on Friday evening by a strike.

Expressing concern for the effect of the strikes on the industry and on the island's fragile economy, government officials attempted without success over the weekend to get the impasse resolved. More meetings are scheduled for today.

Jamaica is the world's third biggest bauxite ore producer after Australia and Guinea, according to the mining ministry. Ore production last year was 11.76m tonnes, 4.8 per cent more than 1993, while alumina output grew 12.8 per cent to 3.32m tonnes.

MARKET REPORT

Aluminium hits fresh highs

London Metal Exchange ALUMINIUM prices rose to new 5½-year highs during lively after hours "kerb" trading, but other metals were in an uncertain frame of mind.

News of a strike at Alcan's Jamaican alumina and bauxite operations provided the impetus for aluminium's price rise, traders said.

COPPER prices remained in the minus column throughout the day, however. The market was in need of some consolidation on the charts following, recent strong gains, traders explained.

At London Commodity Exchange nearby COCOA futures gave up the foothold above £1,000 a tonne. "The market was a little long and we saw some people getting out," one trader said.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	2129-30	2186-87
Previous	2106-7	2143-4
High/low	2123/2122	2181/2147
AM Official	2122-23	2161-61.5
Kerb close		2174-5
Open int.	231,074	
Total daily turnover	46,763	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	2005-15	2045-55
Previous	1980-90	2020-30
High/low		2060/2055
AM Official	2000-5	2040-50
Kerb close		2060-5
Open int.	2,750	
Total daily turnover	1,066	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	692-93	708-9
Previous	689.5-90.5	706-7
High/low	695	710/704
AM Official	694-5	710-11
Kerb close		709.5-10.0
Open int.	37,710	
Total daily turnover	5,528	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	9935-45	10105-10
Previous	9930-40	10100-10
High/low	9970	10150/10050
AM Official	9960-70	10148-50
Kerb close		10130-40
Open int.	61,765	
Total daily turnover	11,144	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6450-60	6550-55
Previous	6465-75	6584-5
High/low		6600/6540
AM Official	6485-90	6565-70
Kerb close		6555-60
Open int.	22,698	
Total daily turnover	6,663	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1194-95	1221-22
Previous	1200-201	1226-27
High/low	1197/1196	1231/1217
AM Official	1196.5-97.0	1223-4
Kerb close		1220-1
Open int.	100,075	
Total daily turnover	16,454	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	3032-33	3036-37
Previous	3050-51	3056-56
High/low	3042/3040	3062/3025
AM Official	3042-44	3044-45
Kerb close		3037-8
Open int.	232,562	
Total daily turnover	57,752	

■ LME AM Official £/$ rate: 1.5870
LME Closing £/$ rate: 1.5945

Spot:1.5955 3 mths:1.5947 6 mths:1.5937 9 mths:1.5925

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jan	142.50	-1.15	143.50	141.80	1,520	221
Feb	141.30	-1.00	141.80	140.90	1,094	92
Mar	140.35	-1.05	141.40	139.50	32,586	5,844
Apr	138.75	-0.85	-	-	943	2
May	136.75	-0.55	137.50	135.50	5,721	438
Jun	134.75	-0.50	-	-	591	15
Total					54,957	7,274

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	381.90-382.30	
Opening	384.60-385.00	
Morning fix	385.10	242.629
Afternoon fix	382.35	239.974
Day's High	385.80-386.10	
Day's Low	381.80-382.00	
Previous close	383.90-384.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.73 6 months 5.68
2 months ....5.02 12 months 6.30
3 months 5.26

Silver Fix	p/troy oz.	US cts equiv.
Spot	309.65	491.50
3 months	314.20	498.40
6 months	319.65	506.70
1 year	332.40	525.90

Gold Coins	$ price	£ equiv.
Krugerrand	385-389	243-246
Maple Leaf	392.85-395.30	
New Sovereign	90-93	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	381.2	-3.9	384.5	381.2	-	-
Feb	381.4	-4.0	386.0	379.9	63,581	36,333
Mar	383.1	-4.0	-	-	5	2
Apr	384.8	-4.0	389.5	383.3	23,951	4,011
Jun	388.6	-4.0	393.5	387.3	26,928	371
Aug	392.8	-4.1	396.9	392.0	15,814	153
Total					181,481	41,393

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	413.8	-5.7	-	-	37	5
Apr	417.6	-5.7	424.0	416.0	18,683	2,237
Jul	421.8	-5.7	427.0	421.0	4,113	212
Oct	426.6	-5.7	430.0	425.5	1,079	144
Jan	430.3	-5.7			150	2
Total					24,062	2,600

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	159.30	-1.20	161.00	158.50	6,061	336
Jun	160.55	-1.20	162.00	160.55	967	45
Sep	161.55	-1.20	-	-	275	1
Dec	162.30	-1.20	165.00	162.30	11	-
Total					7,314	382

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	479.5	-9.8	488.5	479.5	-	-
Feb	480.3	-9.7	480.3	479.0	1	-
Mar	482.0	-9.7	493.0	479.0	85,182	14,048
May	487.7	-9.8	499.0	485.5	13,421	424
Jul	493.9	-10.0	506.0	490.0	7,974	75
Sep	500.2	-10.1	506.0	499.0	9,845	10
Total					129,722	15,552

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	18.36	-0.06	18.51	18.30	112,054	67,745
Apr	18.22	-	18.33	18.13	50,088	20,869
May	18.09	-	18.14	18.00	23,428	7,189
Jun	18.03	+0.05	18.00	17.94	30,073	5,112
Jul	17.95	+0.03	17.95	17.88	14,700	1,860
Aug	17.90	+0.01	17.92	17.88	12,844	860
Total					389,853	146,27

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	16.84	-0.03	16.91	16.75	80,633	25,382
Apr	16.66	-	16.72	16.58	28,275	6,967
May	16.62	+0.06	16.66	16.61	11,580	1,821
Jun	16.59	+0.07	16.60	16.55	10,369	1,510
Jul	16.57	+0.09	16.59	16.52	5,605	325
Aug	16.48	-	-	-	3,889	25
Total					148,390	36,346

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	48.50	+0.36	48.75	48.00	25,865	12,754
Mar	48.65	+0.28	48.85	48.37	35,370	11,365
Apr	48.60	+0.30	48.75	48.45	18,701	2,791
May	48.55	+0.35	48.60	48.35	9,973	539
Jun	48.55	+0.45	48.55	48.55	7,625	302
Jul	48.80	+0.50	48.80	48.65	8,235	251
Total					129,017	28,162

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	143.00	-0.50	144.25	143.00	36,627	6,543
Mar	145.75	-0.25	146.50	145.50	19,588	1,889
Apr	146.75	-0.50	147.25	146.75	13,014	1,177
May	147.25	-0.25	147.50	147.50	3,759	211
Jun	148.25	+0.25	-	-	7,914	118
Jul	150.50	+0.50	-	-	2,347	-
Total					90,893	10,416

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	1.440	+0.015	1.460	1.435	16,075	23,894
Mar	1.445	-0.012	1.510	1.440	27,254	9,898
Apr	1.495	-0.014	1.550	1.485	12,658	2,779
May	1.530	+0.001	1.570	1.520	11,352	1,409
Jun	1.558	-0.001	1.585	1.580	9,791	930
Jul	1.590	+0.001	1.622	1.590	10,709	801
Total					156,900	43,259

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	57.30	-0.10	57.50	56.80	18,363	16,354
Mar	56.05	+0.10	56.20	55.50	19,021	13,943
Apr	57.90	+0.08	58.10	57.60	14,595	4,115
May	56.90	+0.06	57.00	56.70	8,686	1,757
Jun	56.65	+0.15	-	-	3,874	717
Jul	56.25	+0.30	-	-	1,479	236
Total					69,862	37,334

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	108.10	-	108.45	107.75	131	51
Mar	109.45	+0.35	109.45	109.00	1,514	130
May	111.10	+0.30	111.10	110.80	1,504	43
Jul	112.60	+0.10	112.60	112.50	341	30
Sep	98.15	+0.40	-	-	105	172
Nov	99.20	+0.45	99.30	98.95	1,425	172
Total					5,598	440

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	374/6	+3/4	375/0	370/0	36,255	12,520
May	360/2	-	361/6	358/0	10,410	2,503
Jul	340/6	-	341/6	339/4	19,353	4,718
Sep	345/2	-0/2	346/2	344/4	1,267	199
Dec	355/4	-0/6	356/0	354/4	631	39
Mar	360/0	-1/2	-	-	15	-
Total					67,846	19,981

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	233/0	-0/4	233/0	231/4	117,068	17,108
May	239/6	-	239/6	238/2	64,318	4,018
Jul	244/2	-	244/4	243/0	58,746	4,401
Sep	248/4	+0/6	248/6	247/0	9,206	378
Dec	252/0	+1/4	252/2	249/6	43,740	3,812
Mar	258/6	+1/6	259/0	256/4	5,088	389
Total					302,282	30,237

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	105.00	-	106.00	105.00	71	69
Mar	105.55	+0.30	-	-	290	-
May	107.00	-	-	-	79	-
Sep	97.95	+0.30	98.00	97.95	30	20
Nov	99.00	+0.35	99.00	99.00	104	10
Jan	100.15	-	-	-	-	-
Total					574	99

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	552/6	+1/2	553/0	548/6	48	140
May	561/0	+0/6	561/4	557/4	55,612	13,164
Jul	566/6	+1/4	567/0	563/4	29,383	3,090
Aug	569/2	+1/0	569/4	566/4	28,392	4,336
Sep	572/0	+1/0	572/6	568/4	3,074	108
Nov	580/6	+2/2	581/0	577/4	2,633	337
Total					138,152	22,549

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	26.68	+0.37	26.70	25.91	375	1,528
May	25.67	+0.40	25.70	24.97	38,315	10,971
Jul	25.17	+0.40	25.20	24.53	20,968	2,886
Aug	24.93	+0.43	24.93	24.35	14,033	1,578
Sep	24.60	+0.35	24.65	24.15	3,997	147
Oct	24.40	+0.33	24.40	23.95	4,592	84
Total					94,585	17,816

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	158.9	-1.9	162.3	158.8	2	161
May	161.6	-1.8	164.9	161.5	38,074	10,893
Jul	165.1	-1.7	168.0	165.1	22,021	5,146
Aug	167.0	-1.5	169.9	166.8	17,265	1,427
Sep	168.9	-1.2	171.8	168.9	5,269	590
Oct	170.5	-1.2	172.5	170.4	3,635	375
Total					96,770	18,849

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	250.0	-	-	-	-	-
Apr	364.0	+25.7	368.5	342.0	1,146	221
May	395.0	+30.0	-	-	50	-
Jun	250.0	-	-	-	-	-
Total					1,196	226

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	1995	-10	2000	1995	788	15
Feb	1850	-55	1900	1850	335	93
Mar	1855	-54	1890	1850	225	36
Apr	1824	-46	1850	1820	1,480	115
Jul	1613	-42	1625	1610	453	21
Oct	1650	-30	1661	1650	343	68
Total					3,710	338

	Close	Prev
BFI	2044	2059

Tea

There was good demand this week reports the Tea Broker's Association. Assams met improved enquiry and gained 2 to 4p. Brightest East Africans were fully firm but below best and mediums were generally 1 to 3p easier and at times a little more by the close. Ceylons sold well with selected brighter sorts advancing. Only fair demand with prices easier where sold. Quotations: best available: 140p/kg, nom good: 126p/kg, good medium: 112p/kg, medium: 96p/kg, low medium : 84p/kg, the highest price realised this week was 140p for a kenya pd.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	992	-12	1007	991	36,611	2,869
May	994	-11	1008	990	18,575	2,357
Jul	1005	-10	1017	1005	9,895	309
Sep	1017	-9	1028	1015	15,224	398
Dec	1029	-7	1040	1028	12,574	123
Mar	1039	-8	1050	1039	11,243	272
Total					111,722	6,328

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1359	-22	1382	1358	30,460	9,391
May	1390	-18	1410	1386	18,355	2,812
Jul	1416	-18	1430	1411	8,135	344
Sep	1436	-18	1441	1438	2,875	6
Dec	1460	-18	1485	1453	4,492	54
Mar	1485	-18	1498	1480	6,871	-
Total					79,282	12,607

■ COCOA (ICCO) (SDR's/tonne)

Jan 20	Price	Prev. day
Daily	1017.62	997.90

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	2920	-19	2920	2895	171	34
Mar	2917	-48	2930	2894	15,273	2,803
May	2873	-47	2880	2845	8,524	1,686
Jul	2849	-51	2855	2849	2,468	29
Sep	2863	-37	2863	2846	3,102	30
Nov	2861	-42	-	-	673	-
Total					30,287	4,582

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	169.55	-0.30	171.25	168.80	15,575	8,558
May	170.55	-0.55	172.20	170.10	9,611	1,485
Jul	171.30	-0.70	173.00	171.10	4,145	429
Sep	171.15	-1.20	172.00	171.10	2,737	281
Dec	170.50	-1.50	171.50	170.50	3,133	151
Mar	169.25	-1.25	-	-	266	8
Total					35,518	10,912

■ COFFEE (ICO) (US cents/pound)

Jan 20	Price	Prev. day
Comp. daily	156.79	155.36
15 day average	152.98	152.90

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	15.18	-0.12	-	-	480	-
May	15.13	-0.17	-	-	860	-
Jul	14.57	+0.19	14.81	14.57	300	300
Oct	13.59	-	-	-	-	-
Jan	11.95	-	-	-	-	-
Total					1,460	300

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	410.7	-3.9	417.9	410.0	12,589	532
MAy	405.8	-4.0	413.0	406.0	6,448	595
Aug	389.2	-3.1	394.5	389.0	5,182	159
Oct	357.9	-2.6	362.5	357.3	2,135	106
Dec	352.3	-2.7	354.0	352.3	140	9
Mar	346.8	-1.7	352.0	346.8	430	79
Total					26,979	1,500

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.93	-0.30	15.29	14.82	57,890	19,731
May	14.84	-0.15	15.20	14.78	46,793	11,036
Jul	14.17	-0.11	14.42	14.10	29,029	3,989
Oct	13.41	-	13.48	13.30	33,569	1,840
Mar	12.86	+0.07	12.86	12.77	8,420	434
May	12.74	+0.05	12.82	12.74	2,368	20
Total					180,884	37,202

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	91.55	-0.78	91.99	90.80	27,321	4,384
May	90.49	-1.09	91.12	90.10	16,830	2,853
Jul	89.20	-1.35	90.20	88.90	11,065	1,915
Oct	79.95	-1.09	80.57	79.41	3,862	733
Dec	74.30	-0.30	74.45	74.10	12,654	1,118
Mar	75.20	-0.10	75.60	75.20	388	46
Total					72,206	11,079

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	103.10	-1.05	104.50	101.55	18,630	1,439
May	106.75	-0.95	107.40	105.00	3,125	328
Jul	110.00	-0.95	110.00	109.00	935	4
Sep	113.50	-0.70	114.00	113.50	2,614	11
Nov	112.00	-1.20	-	-	1,900	11
Jan	113.75	-0.45	113.75	112.00	720	-
Total					27,859	1,799

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jan 23	Jan 20	month ago	year ago
2294.4	2298.2	2234.6	1707.5

■ CRB Futures (Base: 1967=100)

Jan 20	Jan 19	month ago	year ago
236.50	237.24	232.16	225.28

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	74.850	-0.150	75.125	74.400	24,058	5,632
Apr	74.975	+0.175	75.100	74.075	37,525	5,621
Jun	68.250	+0.300	68.300	67.550	12,011	2,143
Aug	65.300	+0.475	65.350	64.700	5,312	728
Oct	66.250	+0.275	66.250	65.800	721	7
Dec	66.975	+0.250	67.050	66.800	420	13
Total					82,833	14,583

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	40.850	+0.150	41.050	40.525	9,472	2,778
Apr	40.850	+0.150	40.975	40.525	14,538	2,742
Jun	46.100	+0.400	46.150	45.600	6,930	1,413
Aug	44.650	+0.150	44.725	44.300	1,984	229
Oct	41.850	+0.050	41.900	41.700	1,820	86
Dec	42.500	-0.050	42.525	42.450	599	28
Total					37,239	7,532

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	44.025	-1.150	44.150	43.250	4,515	1,888
Mar	44.425	-1.000	44.450	43.500	3,039	1,139
May	45.275	-0.950	45.550	44.800	1,308	490
Jul	46.400	-0.600	46.400	45.300	1,241	235
Aug	43.625	-0.475	44.200	43.200	229	48
Feb	51.500	-0.300	51.500	51.500	48	19
Total					10,380	3,824

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
2100	148	201	76	126
2150	121	177	98	150
2200	98	154	124	175
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
2900	196	143	55	136
3000	136	102	93	191
3100	89	70	146	256
■ COFFEE LCE	Mar	May	Mar	May
2700	243	300	26	127
2750	205	271	38	148
2900	170	244	53	171
■ COCOA LCE	Mar	May	Mar	May
950	51	74	9	30
975	34	60	17	41
1000	21	47	29	53
■ BRENT CRUDE IPE	Apr	Jul	Apr	Jul
1600	91	104	29	54
1650	61	79	49	79
1700	39	48	77	98

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

		+or-
Dubai	$15.98-6.02t	-0.120
Brent Blend (dated)	$17.03-7.05	-0.175
Brent Blend (Mar)	$16.67-6.69	-0.200
W.T.I. (1pm est)	$18.18-8.20t	-0.300

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

		+or-
Premium Gasoline	$163-165	
Gas Oil	$145-146	
Heavy Fuel Oil	$104-106	-3
Naphtha	$161-163	
Jet fuel	$162-164	+1
Diesel	$151-152	

Petroleum Argus. Tel. London (071) 359 8792

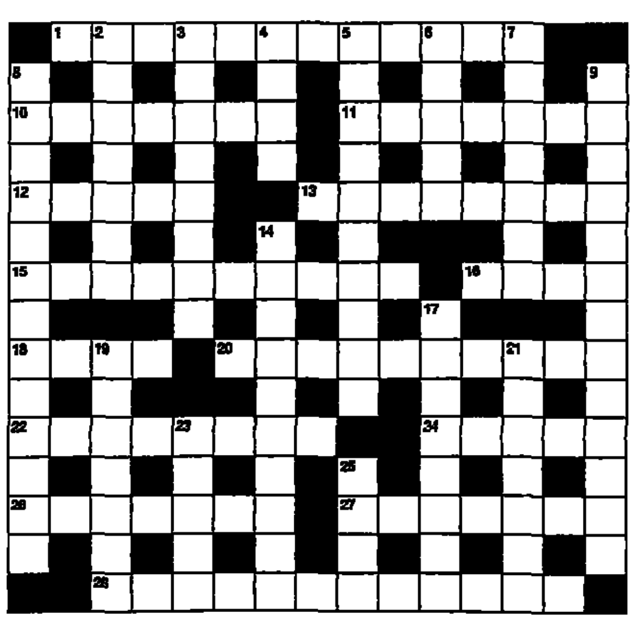
■ OTHER

		+or-
Gold (per troy oz)♣	$382.10	-2.00
Silver (per troy oz)♣	482.5c	-4.0
Platinum (per troy oz.)	$420.00	+3.25
Palladium (per troy oz.)	$157.75	+1.50
Copper (US prod.)	148.0c	-1.0
Lead (US prod.)	42.25c	
Tin (Kuala Lumpur)	16.38m	+0.15
Tin (New York)	303.5c	
Cattle (live weight)†	118.44p	-1.70*
Sheep (live weight)†♠	118.90p	+2.52*
Pigs (live weight)	80.90p	+6.01*
Lon. day sugar (raw)	$369.70	+8.90
Lon. day sugar (wte)	$415.50	+3.50
Tate & Lyle export	£348.00	+6.00
Barley (Eng. feed)	£110.25	+0.75
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Feb)♥	118.00p	+2.00
Rubber (Mar)♥	118.50p	+2.50
Rubber (KL RSS No1 Jul)	438.5m	+6.0
Coconut Oil (Phil)§	$597.5y	-17.5
Palm Oil (Malay.)§	$630.0u	-12.5
Copra (Phil)§	$392.0q	-8.0
Soyabeans (US)	£167.0	-1.0
Cotton Outlook'A' index	97.75c	-0.16
Wooltops (64s Super)	507p	+5

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Mar. y Feb/Mar. u Feb. q Jan/Feb ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week © Prices are for previous day.

CROSSWORD

No.8,668 Set by ALAUN



ACROSS

1 In which one parades one's grievances (7,5)
10 Almost nobody is quite penniless (3,1,3)
11 The mutt that took the bait? (7)
12 Said "Rubbish! It's the central area" (5)
13 Not having appeared since the close of play, we're told (4,4)
15 Thoroughly mixed up, is no match for the opponent (4,6)
16 Like the rider, they don't walk (4)
18 Flirtatious with the chief (4)
20 Just as it should be for the whole fraternity (3,2,5)
22 Going into the bar, too, I'm tipsy (2,6)
24 It's the composer's name but it's back to front (5)
26 Though waiting for you, isn't playing round again (2,5)
27 Rather spindly, back in the lead, is holding it (7)
28 Make a good team and combine to get a draw (4,8)

DOWN

2 An attempt to remedy bad hearing? (7)
3 Try to get the underground from the lab (4,4)
4 Cut the cakes up (4)
5 Left for the theatre (4,2,4)
6 Justification for the punch (5)
7 She's succeeded in getting a new rise and he's out (7)
8 Has experience of and can identify the thing (5,4,2,2)
9 Have an honest mind and be logical (5,8)
14 Won't pay up and aren't there when you arrive (4,2,4)
17 Shrink from making a commitment (8)
19 Rises and pours some into the cup (5,2)
21 Regardless of the ingenious speed trap it got caught in (7)
23 Dwarf fish (5)
25 The tot is a pest (4)

Solution to Saturday's prize puzzle on Saturday February 4.
Solution to yesterday's prize puzzle on Monday February 6.

INTERNATIONAL CAPITAL MARKETS

Italy outperforms other European countries

By Graham Bowley in London and Lisa Bransten in New York

Italian government bonds moved higher yesterday, outperforming other European markets, which were dragged lower by weakness in US Treasuries.

The more conciliatory tone struck over the weekend by Mr Silvio Berlusconi, the former prime minister, towards his successor, Mr Lamberto Dini, soothed Italian investors' nerves, analysts said.

Provisional consumer price data showing a slight fall in the annual growth rate in January also helped sentiment.

The yield premium on Italian 10-year bonds narrowed to 467 basis points over German bunds from 485 points at Friday's close.

■ Elsewhere, European bond markets fell in afternoon trading after moving sideways during the morning session as concerns about the overheating of the US economy and the weakness of the dollar on the foreign exchanges dragged US Treasuries lower.

Spain was hardest hit, with the 10-year March contract on the Spanish futures exchange down 0.53 to 83.07 in late trading. Political uncertainty continues to undermine investor confidence in the Spanish government bond market, analysts said.

"Any good news which causes a rally in the other high-yielding markets has little effect on Spain," said Mr Huw Roberts, European bond strategist at NatWest Markets.

"Even though the spreads against Italy and Spain are now looking attractive, nobody is looking to switch into Spain at the moment," he said. Spanish 10-year bonds are currently trading at a yield spread of 47 basis points over Italian bonds.

■ The German March futures contract on Liffe fell back to 89.32 in late trading, down 0.43 on the day, after reaching a high of almost 89.70 during the morning session.

Investors are awaiting M3 money supply data for December, which are expected imminently and will give more direction to the market, analysts said.

GOVERNMENT BONDS

The consensus forecast is for annual growth of 5.5 per cent in December, down from 6 per cent in November.

■ UK government bonds fell in line with other European markets, with the long gilt future down 17/32 at 100 19/32 in late trading. In the cash market, the 10-year yield spread over bunds widened to 134 basis points from 132 points at Friday's close.

Figures showing a stronger than expected rise in gross domestic product in the fourth quarter of last year had little impact on gilts.

Investors' attention is now turning to the CBI industrial trends report for December, due to be published today.

The report is expected to show strong price pressures and high output expectations, which will put further pressure on the government and the Bank of England to raise short-term interest rates, said Ms Marian Bell, treasury economist at the Royal Bank of Scotland.

■ French government bonds fell in thin trading conditions on the Matif caused by a one-week strike by independent traders in a dispute over fees.

The March notional bond futures contract on Matif settled at 110.26, down 0.64. The yield spread against bunds, which narrowed to a low of 60 basis points last week, widened by 3 points on the day to 67 basis points.

■ Worries that the Federal Reserve might not be able to control inflation pushed the long-end of the US Treasury market down yesterday morning, while shorter-term securities held relatively steady.

At midday, the benchmark 30-year Treasury was down 15/32 at 95¼ to yield 7.921 per cent. At the short end of the market, the two-year note was up 1/32 at 100 1/32, yielding 7.461 per cent.

The curve that maps the spread between two-year notes and the long bond continued its recent steepening path as the spread widened from 40 basis points late on Friday to 46 points yesterday morning.

A steepening yield curve is generally caused by investors in long-term securities demanding higher yields to offset the risk that inflation will erode their investments. Therefore, such yield-curve movements are interpreted as a sign that the market expects economic growth.

The consensus on Wall Street is that the Fed will raise interest rates by 50 basis points at next week's meeting of its Open Market Committee, but data released last week indicating robust economic growth caused some to worry that it might not be enough.

Particularly troubling was speculation that Mexico's economic crisis might deter the Fed from raising interest rates altogether, in spite of statements from officials that the situation in Mexico would not affect monetary policy.

Another factor putting pressure on the market was new supply set to come from an afternoon auction of $26.8bn in three and six-month notes.

Paribas launches asset-swap FRN

By Richard Lapper

Paribas Capital Markets reported a positive response from investors to a $68.68m floating-rate note issue launched yesterday.

The issue, which matures in June 1996, is the first to come from the bank's new product line, known as Liquid Asset Swap with Enhanced Return, or Laser.

Laser is effectively based on the securitisation of an asset swap and is designed to bring the advantages of the asset swap markets to a wider range of investors.

Many investors are currently excluded from the benefits of the asset swap market by a series of regulatory, legal and other barriers.

At the core of Laser is a new Cayman Islands-based finance company, or special purpose vehicle, called Laser Finance Limited. This has been set up by Paribas but is owned by the investors who buy the paper it issues.

For yesterday's issue, dubbed Laser 1 – Paribas entered into a swap agreement with Laser, exchanging obligations on fixed-rate Swiss franc paper for those on two-year floating-rate US dollar notes.

The floating-rate notes are backed by the security of the Swiss paper.

The notes were rated Aa by Moody's, the US rating agency, the same rating as the underlying bond which provides collateral.

Like eurobonds, the floating rate notes will be issued in bearer form. The paper will be listed in Luxembourg and offered in minimum denominations of as little as $1,000. The FRNs carry a coupon of six-month US dollar Libor plus 35 basis points.

Toyota Motor brings two issues in different currencies

By Martin Brice

Two issues in different currencies from Toyota Motor Credit Corporation marked a quiet day in the euromarkets yesterday.

Big issuers are waiting for the Federal Reserve Open Market Committee meeting on January 31, which they fear may lead to an increase in US interest rates.

However, some syndicates said International Finance Corporation, the World Bank affiliate, was planning a large dollar issue that might come today. The IFC was believed to be thinking of a $500m 10-year issue.

The decision by AAA rated Toyota to bring two deals to the euromarkets in the same day is unusual but not unprecedented. The move brings greater exposure and raises the profile of the issuer's name. The two deals were aimed at different investor bases.

The company revisited the D-Mark sector for the first time in three years with a DM500m deal through Dresdner Bank

INTERNATIONAL BONDS

and Merrill Lynch, which said around DM10bn of eurobonds were due for redemption within six weeks and investors were looking to roll over their funds into similar bonds.

Merrill said the five-year issue, with a coupon of 7¼ per cent, was targeted at retail demand.

The deal was brought at 11 basis points over the relevant bund and Merrill said it widened slightly to around 12 points over when freed to trade.

Toyota's other deal was in Australian dollars with a three-year maturity. Lead manager BZW said it had had the bonds lined up for some days and was waiting for the market to move to a position where it could offer them with a coupon of 10.75 per cent.

The World Bank raised DM500m by reopening a DM2bn global deal brought last October. The bonds, which had a four-year maturity and a 7.25 per cent coupon, were brought through joint books Morgan Stanley and Deutsche Bank, which said this was the first time a World Bank global deal had been reopened.

A Deutsche syndicate official said: "The liquidity of the issue was threatened." He said that strong demand for the paper had led to it tightening in to around 4 basis points below the bund, and the high price of the bonds had meant the issue had become illiquid.

"The World Bank likes its issues to stay liquid. It had reached a very expensive level and large institutional investors were not interested any more," he added.

GECC raised Ecu100m with a deal brought through Merrill Lynch, which said around Ecu2.5bn of paper was due for redemption within the next few weeks.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Sudwestdeutsche LB(a)	200	7.875	100.03R	Feb.1997	0.125R	+20(Wl 2yr)	UBS
Santander Financial Issuances‡	150	(b)	99.787R	Sep.2004	0.50R	-	Salomon Brothers Intl.
D-MARKS							
Toyota Motor Credit Corp.	500	7.25	99.85R	Feb.2000	0.25R	+11(7%-99)	Dresdner/ Merrill Lynch
World Bank(c)	500	7.25	99.93R	Oct.1999	0.25R	+5(6½%-99)	Deutsche/ Morgan Stanley
LUXEMBOURG FRANCS							
Eurofima(d)	2bn	8.25	101.875	Mar.2005	1.875	-	BIL/ Crédit Européen
Rabobank Nederland	2bn	7.875	102.45	May.1999	1.625	-	BGL
ECU							
GECC	100	8.25	99.638R	Feb.2000	0.25R	-	Merrill Lynch International
AUSTRALIAN DOLLARS							
Toyota Motor Credit Corp.	125	10.75	101.145	Mar.1998	1.50	-	Barclays de Zoete Wedd

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Long 1st coupon. b) 6-mth Libor +37½bp. Short 1st coupon. c) Fungible with DM2bn. Plus 113 days accrued. d) Issue launched 18/1/95 was increased to LFr5½bn.

SG Warburg reaffirms commitment to sterling

By Nicholas Denton

S. G. Warburg, the UK investment bank which announced earlier this month that it was pulling out of the eurobond market, has reaffirmed its commitment to sterling bond operations.

Warburg took Société Nationale des Chemins de Fer Belgiques (SNCB), the Belgian railway company, on a roadshow last week in the UK in preparation for a possible sterling bond issue.

The roadshow is the first since Warburg restructured its fixed-income operations and said that it was in essence pulling out of eurobonds.

The initial announcement on January 9 left some confusion because Warburg also said it would continue to lead sterling issues and make markets in them. The extent to which Warburg would service borrowers from outside the UK was not made clear.

In a research note published yesterday, Warburg said it intended to continue selling debt products to its institutional clients and provide a full market-making service in all sterling issues with a maturity of over 10 years. The preparations for SNCB demonstrate that Warburg includes sterling issues by foreign borrowers.

Fixed-income operations nevertheless are being much cut back: the company has dismissed 180 of the 350 staff and is reassigning others.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	90.6300	−0.840	10.57	10.30	10.20
Austria		7.625	10/04	99.3600	−0.120	7.71	7.74	7.65
Belgium		7.750	10/04	95.1200	−0.050	8.50	8.46	8.29
Canada *		9.000	12/04	96.0000	−	9.63	9.34	9.18
Denmark		7.000	12/04	86.6700	−0.430	9.10	9.06	8.67
France	BTAN	8.000	05/98	100.8900	−0.120	7.66	7.68	7.27
	OAT	7.500	04/05	94.8500	−0.550	8.25	8.18	8.03
Germany Bund		7.375	01/05	98.5300	−0.460	7.59	7.53	7.45
Ireland		6.250	10/04	82.2000	−0.300	8.78†	8.78	8.74
Italy		8.500	08/04	81.0900	+0.690	11.87	11.91	11.92
Japan	No 119	4.800	06/99	103.6640	+0.180	3.84	3.86	3.85
	No 164	4.100	12/03	96.0560	−0.210	4.73	4.64	4.58
Netherlands		7.250	10/04	96.6400	−0.460	7.75	7.68	7.61
Portugal		8.875	01/04	84.5000	+1.000	11.64	11.64	11.57
Spain		10.000	02/05	88.0800	−0.500	11.95	11.88	11.33
Sweden		6.000	02/05	70.0400	−0.450	11.10	11.06	10.81
UK Gilts		6.000	08/99	90–05	−5/32	8.67	8.57	8.47
		6.750	11/04	87–01	−13/32	8.75	8.63	8.51
		9.000	10/08	102–08	−16/32	8.71	8.63	8.50
US Treasury *		7.875	11/04	100–07	−10/32	7.84	7.66	7.86
		7.500	11/24	95–04	−23/32	7.93	7.77	8.14
ECU (French Govt)		6.000	04/04	83.3000	−0.380	8.70	8.62	8.60

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

Prime rate	8½	One month	5.13	Two year	7.48
Broker loan rate	6½	Two month	5.60	Three year	7.66
Fed.funds	5¾	Three month	5.92	Five year	7.80
Fed.funds at intervention	-	Six month	6.49	10-year	7.84
		One year	7.01	30-year	7.93

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	110.60	110.26	-0.64	110.74	110.26	82,207	139,383
Jun	109.94	109.44	-0.66	109.94	109.58	521	4,480
Sep	109.30	108.80	-0.66	109.30	109.30	2	1,552

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
109	-	-	-	0.02	0.39	1.34
110	0.43	1.01	1.35	0.16	0.74	1.80
111	0.06	0.51	-	0.79	1.22	-
112	-	0.22	-	-	1.92	-
113	-	0.09	0.34	-	-	-

Est. vol. total, Calls 18,818 Puts 19,089. Previous day's open int., Calls 182,050 Puts 173,033.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.56	89.32	-0.43	89.70	89.26	110814	193657
Jun	89.08	88.74	-0.43	89.10	88.71	409	5188

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
8900	0.38	0.78	0.69	1.00	0.06	0.46	0.95	1.26
8950	0.08	0.51	0.49	0.79	0.26	0.69	1.25	1.55
9000	0.01	0.32	0.33	0.61	0.69	1.00	1.59	1.87

Est. vol. total, Calls 11147 Puts 11576. Previous day's open int., Calls 204888 Puts 136749

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.65	100.05	+0.72	100.31	99.65	39903	49515
Jun	99.30	99.10	+0.67	99.30	99.30	24	255

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10000	1.08	1.87	1.03	2.77
10050	0.82	1.66	1.27	3.06
10100	0.61	1.48	1.56	3.38

Est. vol. total, Calls 718 Puts 1587. Previous day's open int., Calls 21884 Puts 22186

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	83.55	83.09	-0.53	83.74	83.07	42,881	52,702
Jun	-	83.62	-	-	-	50	150

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100-31	100-19	-0-17	101-00	100-16	39916	90613
Jun	101-00	100-25	-0-15	101-02	100-25	252	588

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
100	1-18	2-26	0-44	1-40
101	0-48	1-56	1-10	2-06
102	0-24	1-26	1-50	2-40

Est. vol. total, Calls 518 Puts 6087. Previous day's open int., Calls 39243 Puts 45035

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	80.60	80.40	-0.52	80.70	80.34	2,140	7,130
Jun	-	80.14	-0.52	-	-	-	1

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	99-09	98-30	-0-09	99-12	98-29	356,657	369,050
Jun	99-26	98-17	-0-08	98-29	98-15	2,457	19,175
Sep	99-20	98-08	-0-07	98-20	98-08	208	1,488

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	107.96			107.98	107.85	2347	0
Jun	107.20			107.24	107.20	60	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Jan 23	Day's change %	Fri Jan 20	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	118.27	−0.03	118.81	1.28	1.40
2 5–15 years (22)	138.74	−0.33	139.69	2.13	0.81
3 Over 15 years (9)	153.00	−0.59	153.92	0.87	2.83
4 Irredeemables (6)	175.96	−0.58	176.98	2.15	0.00
5 All stocks (61)	135.41	−0.28	136.21	1.66	1.33

	Low coupon yield Jan 23	Jan 20	Yr. ago	Medium coupon yield Jan 23	Jan 20	Yr. ago	High coupon yield Jan 23	Jan 20	Yr. ago
5 yrs	8.70	8.67	5.63	8.72	8.67	6.87	8.92	8.87	5.96
15 yrs	8.61	8.54	6.33	8.73	8.67	6.41	8.95	8.89	6.64
20 yrs	8.57	8.51	6.43	8.73	8.67	6.45	8.88	8.83	6.66
Irred.†	8.61	8.55	6.52						

Index-linked	Mon Jan 23	Day's change %	Fri Jan 20	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	188.38	−0.03	188.43	1.58	0.00
7 Over 5 years (11)	172.57	−0.40	173.27	0.49	0.59
8 All stocks (13)	173.30	−0.37	173.93	0.59	0.53

	Inflation 5% Jan 23	Jan 20	Yr. ago	Inflation 10% Jan 23	Jan 20	Yr. ago
Up to 5 yrs	4.07	4.04	2.20	2.73	2.70	1.31
Over 5 yrs	3.94	3.91	2.90	3.74	3.71	2.72

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 23	Jan 20	Jan 19	Jan 18	Jan 17	Yr ago	High*	Low*
Govt. Secs. (UK)	90.57	90.83	90.80	90.91	91.07	107.04	107.04	89.54
Fixed interest	109.20	109.29	109.30	109.35	109.34	133.66	233.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16
Gilt Edged bargains	79.9	80.2	87.3	88.5	91.0
5-day average	85.3	85.4	85.1	84.9	85.0

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on January 23

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	88⅛	88¼	−¼	8.54
Alberta Province 7⅝ 98	1000	98⅛	98⅜	−⅛	8.21
Austria 8½ 00	400	101⅛	101⅝	−⅛	8.19
Bank Ned Gemeenten 7 99	1000	95⅞	96⅛	−⅛	8.10
Bank of Tokyo 8⅜ 96	100	100¼	100⅝	−⅛	8.10
Belgium 5½ 03	1000	82⅜	82¾	−⅜	8.41
BFCE 7¼ 97	150	99⅝	100		7.93
British Gas 0 21	1500	11	11⅛	−⅛	8.59
Canada 9 96	1000	101⅞	101⅝		7.62
Cheung Kong Fin 5½ 98	500	88	88½	−⅛	9.49
China 6½ 04	1000	83	83½	−¼	9.53
Council Europe 8 96	100	100⅛	100½		7.86
Credit Foncier 9½ 99	300	104⅜	104¾	−⅛	8.19
Denmark 5¾ 98	1000	93⅞	94⅛		8.06
East Japan Railway 6⅝ 04	600	88¾	89	−⅛	8.43
ECSC 8¼ 96	193	100½	100⅞		7.93
EEC 8¼ 96	100	100½	100¾		7.80
EIB 7¾ 98	250	100	100⅛	−⅛	7.70
EIB 9¼ 97	1000	103	103¼		8.00
Elec de France 9 98	200	102¼	102⅝		8.14
Eurofima 9¼ 96	100	101⅜	101¾	−⅛	7.90
Ex-Im Bank Japan 8 02	500	98¾	99⅛	−¼	8.22
Export Dev Corp 9½ 98	150	103⅞	104	−⅛	8.18
Federal Natl Mort 7.40 04	1500	95⅛	95⅜	−⅜	8.31
Finland 6¾ 97	3000	96⅞	97⅛		8.16
Ford Motor Credit 6¼ 98	1500	94⅝	95		8.42
Gen Elec Capital 9⅜ 96	300	101⅞	102		7.92
GMAC 9⅛ 96	200	101	101¼		8.13
Ind Bk Japan Fin 7⅞ 97	200	99	99½		8.36
Inter Amer Dev 7⅛ 98	200	99½	99⅞		7.92
Italy 6⅞ 23	3500	77¾	77¾	−⅝	9.31
Japan Dev Bk 8⅜ 01	500	100½	100¾	−¼	8.26
Kansai Elec Pwr 10 96	350	102¼	102½		7.89
Korea Elec Power 6⅜ 03	1350	84⅛	84⅝	−⅛	9.22
LTCB Fin 8 97	200	99⅜	99¾	+⅛	8.35
Matsushita Elec 7¼ 02	1000	94¼	94⅝	−⅛	8.46
Norway 7¼ 97	1000	98⅞	99⅛		7.80
Ontario 7⅜ 03	3000	93¾	94	−¼	8.54
Oster Kontrollbank 8½ 01	200	101¼	101½	−⅛	8.22
Petro-Canada 7¼ 96	200	99⅛	99⅝		7.93
Portugal 5¾ 03	1000	83⅝	84	−⅛	8.82
Quebec Hydro 9¾ 98	150	103½	104	−⅛	8.57
Quebec Prov 9 98	200	101¼	101⅝	−⅛	8.52
Sainsbury 9⅛ 96	150	101½	102		8.09
SAS 10 99	200	103⅞	104⅛	−⅛	8.97
SNCF 9½ 98	150	103⅞	104¼	−⅛	8.15
Spain 6½ 99	1500	93½	93¾		8.21
State Bk NSW 8½ 96	200	100½	100¾		8.06
Sweden 6½ 03	2000	88¾	89	−⅛	8.62
Swedish Export 8⅞ 98	700	100½	100¾		7.88
Tokyo Elec Power 6⅛ 03	1000	86½	86¾	−⅛	8.40
Tokyo Metropolis 8¼ 96	200	100½	100¾		7.91
Toyota Motor 5⅝ 98	1500	93½	93¾		8.03
United Kingdom 7¼ 02	3000	94⅞	95⅛	−⅛	8.15
World Bank 8⅛ 99	1500	101⅝	101⅞	−⅛	8.11
World Bank 8¾ 97	1500	102¼	102½		7.71
United Kingdom 7⅛ 97	5500	100⅞	101	+⅛	6.75
Volkswagen Intl Fin 7 03	1000	94⅞	94⅞	+⅛	7.94
World Bank 0 15	2000	22	22¼	+⅛	7.51
World Bank 5⅞ 03	3000	88¼	88⅝	−¼	7.76
World Bank 8¾ 00	1250	110	110½		8.43
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	82¼	82⅝		8.11
Credit Foncier 7¼ 03	2000	95¼	95⅝		7.88
Denmark 6⅛ 98	2000	97⅞	98	+⅛	6.91
Depfa Finance 6⅞ 03	1500	90½	90½	−¼	7.92
Deutsche Bk Fin 7½ 03	2000	97¾	98	+⅛	7.89
EEC 6½ 00	2800	96⅞	96⅞		7.26
EIB 6¼ 00	1500	95¼	95¾	−¼	7.37
Finland 7½ 00	3000	100⅛	100½	−⅛	7.47
Italy 7¼ 98	5000	99⅞	100		7.29
LKB Baden-Wuert 6½ 08	2250	87½	87⅞	−⅛	8.03
Norway 6⅛ 98	1500	97⅞	98⅛	−⅛	6.88
[illegible]					
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	101½	102	−½	5.85
Austria 4½ 00	1000	97⅝	97¾	+⅞	5.04
Council Europe 4¾ 98	250	100	100½		4.75
Denmark 4¼ 99	1000	96⅞	97		5.01
EIB 6¾ 04	300	107	107½	+½	5.76
Elec de France 7¼ 06	100	110	110¾		5.98
Finland 7¼ 99	300	107	108	−½	5.51
Hyundai Motor Fin 8½ 97	100	106½	107½		5.75
Iceland 7⅜ 00	100	107¼	107¾	−¼	6.03
Kobe 6⅜ 01	240	103½	104½	+¼	5.71
Ontario 6¼ 03	400	102	102¾		5.93
Quebec Hydro 5 08	100	85½	86	−¼	6.69
SNCF 7 04	450	109⅛	109¼	−⅛	5.74
World Bank 5 03	150	97¼	97¾	+¼	5.41
World Bank 7 01	600	107¾	108½	−¼	5.47
YEN STRAIGHTS					
Belgium 5 99	75000	103½	103¾	+⅛	4.19
EIB 6⅝ 00	100000	110⅝	110⅝		4.33
Finland 6¾ 96	50000	104⅝	104¾	+⅛	2.66
Inter Amer Dev 7¼ 00	30000	113⅞	113⅞		4.37
Italy 3½ 01	300000	92⅞	93		4.86
Japan Dev Bk 5 99	100000	103⅞	104	+⅛	4.07
Japan Dev Bk 6½ 01	120000	110⅝	110¾		4.61
Nippon Tel Tel 5⅞ 96	50000	104⅝	104⅞		2.99
Norway 5⅞ 97	150000	104⅜	104⅝		3.14
SNCF 6¾ 00	30000	110⅞	111⅛	+⅛	4.33
Spain 6¾ 02	125000	108	108⅛		4.74
Sweden 4⅝ 98	150000	102⅝	102⅞	+⅛	3.69
World Bank 5¼ 02	250000	103⅞	103⅞		4.68
OTHER STRAIGHTS					
Genfinance Lux 9⅛ 99 LFr	1000	104½	105½		7.82
IKB Deut Industbk 8½ 03 LFr	3000	100¼	101¼		8.45
World Bank 8 96 LFr	1000	100½	101¼		7.52
ABN Amro 6⅝ 00 Fl	1000	95⅞	96¼	−¼	7.61
Bank Ned Gemeenten 7 06 Fl	1500	94½	95	−⅜	7.94
AlbertaProvince 10⅝ 96 C$	500	101	101¼		9.56
Bell Canada 10⅝ 99 C$	150	101	101½		10.30
British Columbia 10 96 C$	500	100¼	100⅝		9.71
EIB 10⅛ 98 C$	730	102½	103½	+¼	9.15
Elec de France 9¾ 99 C$	275	99⅛	99⅝	−¼	9.88
Gen Elec Capital 10 96 C$	300	100⅛	100⅝	+⅛	9.61
KfW Int Fin 10 01 C$	400	99¼	99¾	−⅛	10.16
Nippon Tel Tel 10¼ 99 C$	200	100⅛	100⅞	−⅛	10.12
Ontario 8 03 C$	1500	88½	88¾	−⅛	10.37
Ontario Hydro 10⅞ 99 C$	500	102¼	102⅝	−⅛	10.18
Oster Kontrollbank 10¼ 99 C$	150	100½	101	−⅛	10.07
Quebec Prov 10½ 98 C$	200	100¼	100¾	−⅛	10.40
Belgium 9⅛ 96 Ecu	1250	101⅞	102		7.33
Council Europe 8 01 Ecu	1100	101¼	101⅝	−⅛	8.74
Credit Lyonnais 9 96 Ecu	125	101¼	101¾		7.89
EIB 10 97 Ecu	1125	103¾	104		7.94
Ferro del Stat 10⅛ 98 Ecu	500	103⅞	104⅜		8.58
Italy 10¾ 00 Ecu	1000	107⅝	108	−⅛	8.85
Spain 9 96 Ecu	1000	101⅞	102		7.41
United Kingdom 9⅛ 01 Ecu	2750	102¼	102½	−¼	8.60
AIDC 10 99 A$	100	96¾	97¼	−⅛	10.93
Comm Bk Australia 13¾ 99 A$	100	109⅞	109¾	−½	11.02
EIB 7¾ 99 A$	350	91⅞	92¼	−⅛	10.25
NSW Treasury Zero 0 20 A$	1000	9	9¼	+¼	8.77
R & I Bank 7¾ 03 A$	125	82¼	82¾	−⅜	11.09
State Bk NSW 9 02 A$	300	89⅞	90⅛	−¼	11.03
[illegible]					
Abbey Natl Treasury 8 03 £	1000	91⅞	92	−⅛	9.48
Alliance Leics 11⅜ 97 £	100	104⅞	105¼		8.88
British Land 8⅞ 23 £	150	88⅝	89	−⅛	10.35
Denmark 6¾ 98 £	800	93¼	93½	−⅛	9.01
EIB 8 03 £	1000	93¼	93½	−¼	9.17
Halifax 10⅜ 97 £	100	103	103⅜		8.73
Hanson 10⅜ 97 £	500	102⅞	103¼		9.11
HSBC Holdings 11.69 02 £	153	108⅝	109	−¼	9.98
Italy 10½ 14 £	400	105⅜	105¾	−¼	9.88
Japan Dev Bk 7 00 £	200	91⅛	91⅜	−⅛	9.04
Land Secs 9½ 07 £	200	98	98½	−⅛	9.77
Ontario 11⅛ 01 £	100	107⅛	107¾	−⅛	9.46
Powergen 8⅞ 03 £	250	96⅜	96⅝	−¼	9.52
Severn Trent 11½ 99 £	150	107⅝	108	−⅛	9.30
Tokyo Elec Power 11 01 £	150	107⅞	108	−⅛	9.33
Abbey National 0 96 NZ$	100	85¼	86	−¼	9.88
TCNZ Fin 9¼ 02 NZ$	75	99⅝	100⅝	−¼	9.30
Credit Local 6 01 FFr	7000	88½	88¾	−¼	8.27
Elec de France 8¾ 22 FFr	3000	99⅝	100⅛	−⅝	8.78
SNCF 9¼ 97 FFr	4000	103⅞	103⅝		7.51

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.46	99.54	6.3750
Banco Roma 0 99	200	99.92	100.02	6.5312
Belgium 1/16 97 DM	500	100.08	100.18	5.1250
BFCE -0.02 96	350	99.79	99.90	6.2300
Britannia 0.10 96 £	150	99.95	100.05	6.1000
Canada -¼ 99	2000	99.20	99.26	5.5625
CCCE 0 06 Ecu	200	99.13	99.34	5.7500
Credit Lyonnais 1/16 00	300	97.46	98.00	6.6875
Denmark -⅛ 96	1000	99.59	99.69	5.0625
Dresdner Finance 1/16 98 DM	1000	99.99	100.07	5.2188
Ferro del Stat 0.10 97	420	99.93	100.07	6.2250
Finland 0 97	1000	99.96	100.03	6.7500
IMI Bank Intl ¼ 99	500	99.93	100.09	6.1875
Italy ¼ 98	2000	100.02	100.08	6.6250
LKB Baden-Wuert Fin -⅛ 98	1000	99.31	99.41	5.8750
Lloyds Bank Perp S 0.10	600	84.00	85.00	5.4125
Malaysia 1/16 05	650	99.22	99.44	5.9375
New Zealand -⅛ 99	1000	99.72	99.80	6.3750
Ontario 0 99	2000	99.52	99.59	5.8125
Renfe 0 98	500	99.39	99.56	6.0000
Societe Generale 0 96	300	99.53	99.64	5.3750
Staatsbank Berlin -0.05 98 DM	6000	99.94	99.98	5.1480
State Bk Victoria 0.05 99	125	99.83	100.00	6.9875
Sweden 0 98	1500	99.80	99.86	6.0625
Sweden -⅛ 01	2000	98.69	98.76	5.6875
United Kingdom -⅛ 96	4000	99.85	99.90	6.2500

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
Browning-Ferris 6¾ 05	400	52½	91⅞	92¾	+60.76
Chubb Capital 6 98	250	86	102	103	+9.82
Gold Kalgoorlie 7½ 00	65	1.0554	97⅝	99⅛	+38.25
Hanson 9½ 06 £	500	2.5875	102⅞	103¾	+12.56
Hanson America 2.39 01	420	30.6798	72	73	+20.98
Hong Kong Land 4 01	410	31.05	72⅝	73¾	-27.17
Land Secs 6¾ 02 £	84	6.72	92⅞	94⅛	+10.75
Lasmo 7¾ 05 £	90	5.64	83½	84⅞	
Mitsui Bank 2⅝ 03	200	2332.8	78⅝	79½	+7.59
Mount Isa Fin 6½ 97	100	2.283	95½	96½	+33.23
Natl Power 6¼ 08 £	250	4.33	113⅞	114⅞	+1.85
Ogden 6 02	85	39.077	81½	82½	+61.01
Pennzoil 4¾ 03	500	58.8097	88	89	+11.90
Sumitomo Bank 3⅛ 04	300	3606.9	73¼	74¼	+17.22
Sun Alliance 7¼ 08 £	155	3.9	88¼	89¼	+19.02
Tesco Capital 9 05 £	200	2.51	113¾	114¾	+18.06
Texas Instruments 2¾ 02	300	82⅞	94½	95¾	+8.97

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or −	1994/95 High	1994/95 Low
Shorts" (Lives up to Five Years)						
Exch 3pc Gas 1990-95	3.03	6.47	99⅜	—	103¼	97⅝
10¼pc 1995	10.07	6.89	101¾	—	107⅞	101¾
Treas 12¾pc 1995‡‡	12.19	6.82	104⅝	—	113⅞	104⅝
14pc 1996	13.13	7.05	106⅝	—	117¾	106⅝
15¼pc 1996‡‡	13.94	7.39	109⅜	—	121⅞	109⅜
Exch 13¼pc 1996‡‡	12.37	7.49	107⅛	—	117⅞	107⅛
Conversion 10pc 1996	9.68	7.95	103⅜	—	112⅝	103⅜
Treas Cnv 7pc 1997‡‡	7.20	8.34	97¼xd	−⅛	100⅝	96⅝
Treas 13¼pc 1997‡‡	12.12	8.11	109⅛	—	121⅞	109⅛
Exch 10½pc 1997	10.06	8.18	104⅜xd	—	114⅜	104⅜
Treas 8¾pc 1997‡‡	8.67	8.35	100⅞xd	—	110⅛	100⅜
Exch 15pc 1997	12.97	8.48	115⅝	—	131⅞	115⅝
9¾pc 1998	9.46	8.57	103⅛	−⅛	114⅞	102⅞
Treas 7¼pc 1998‡‡	7.52	8.57	96⅛	−⅛	106⅛	95⅞
Treas 6¾pc 1995-98‡‡	7.11	8.58	94⅞	−⅛	102	93⅞
14pc 1998-1	12.18	8.77	114⅞	−⅛	131⅛	114⅞
Treas 15½pc '98‡‡	12.79	8.65	121⅛	−⅛	140⅛	121⅛
Exch 12pc 1998	10.88	8.78	110⅜	−⅛	125⅞	110⅜
Treas 9½pc 1999‡‡	9.25	8.68	102⅞	−⅛	116⅛	100⅞
Exch 12¼pc 1999	10.94	8.77	112	−⅛	128⅛	111⅞
Treas 10½pc 1999	9.88	8.72	106⅜	−⅛	121⅛	105⅞
Treas 6pc 1999 ‡‡	6.65	8.67	90¼xd	−⅛	101⅞	88⅞
Conversion 10¼pc 1999	9.69	8.78	105⅝	−⅛	121⅞	104⅞
Treas Flg Rate 1999	-	-	99⅞	—	100⅜	99⅞
Five to Fifteen Years						
8pc 2000	8.24	8.63	97⅛	−⅛	98⅝	96
[illegible]						
Conversion 9½pc 2004	9.11	8.83	104¼	−⅛	125⅛	101⅞
Treas 6¾pc 2004‡‡	7.76	8.73	87	−⅛	105⅛	84⅞
8½pc 2005	8.84	8.72	98⅞	−⅛	100⅞	97
Conv 9½pc 2005	9.09	8.81	104⅛	−⅛	125½	102⅛
Treas 12½pc 2003-5	10.38	9.06	120⅛	−⅛	143⅛	118⅛
7¾pc 2006‡‡	8.34	8.73	92⅞	−⅛	112⅞	90⅞
8pc 2002-6‡‡	8.47	8.78	94⅞	−⅛	111⅝	91⅞
Treas 11¾pc 2003-7	10.23	9.10	114⅞	−⅛	136⅛	112⅛
Treas 8½pc 2007 ‡‡	8.64	8.72	98⅜	−⅛	119⅞	95⅞
13½pc 2004-8	10.62	9.08	127⅛	−½	151⅞	124⅞
Treas 9pc 2008 ‡‡	8.80	8.70	102¼	−⅛	124⅞	99⅞
Treas 8pc 2009	8.48	8.70	94⅛	−⅛	115⅞	91⅞
Over Fifteen Years						
Treas 6 1/4pc 2010	7.82	8.59	79⅞	−½	98⅛	77⅞
Conv 9pc Ln 2011 ‡‡	8.74	8.67	102⅞	−⅛	126⅞	100⅞
Treas 9pc 2012‡‡	8.73	8.65	103⅛xd	−⅛	127⅝	100⅝
Treas 5½pc 2008-12‡‡	7.45	8.42	73⅞	−⅛	93⅞	71¼
Treas 8pc 2013‡‡	8.47	8.60	94⅞	−⅝	117⅞	92
7¾pc 2012-15‡‡	8.43	8.61	91⅞xd	−⅛	114⅛	89⅞
Treas 8¾pc 2017‡‡	8.61	8.61	101⅞xd	−⅛	126⅛	99⅞
Exch 12pc 2013-17	9.30	8.58	129	−⅛	159½	126⅞
[illegible]						

Index-Linked	Notes (b)	Yield (1)	Yield (2)	Price £	+ or −	1994/95 High	1994/95 Low
2pc '96	(67.9)	2.46	4.10	202⅞	—	203⅝	197⅞
4⅝pc '98‡‡	(135.6)	3.04	3.95	106⅞	−⅛	113⅞	106⅛
2½pc '01	(78.3)	3.52	3.97	165⅞	−⅛	176⅞	163½
2½pc '03	(78.8)	3.59	3.95	161⅞	−⅛	173⅞	159⅞
4⅜pc '04‡‡	(135.6)	3.62	3.96	108⅛	−⅛	118⅞	107⅛
2pc '06	(69.5)	3.66	3.92	168⅛	−⅛	184⅞	165⅞
2½pc '09	(78.8)	3.70	3.93	152⅞	−⅛	168⅞	149½
2½pc '11	(74.6)	3.73	3.93	157⅞xd	−⅛	175⅝	154⅛
2½pc '13	(89.2)	3.75	3.93	129⅜xd	−⅛	148⅛	126⅞
2½pc '16	(81.6)	3.76	3.94	137¼xd	−⅛	157⅛	134⅛
2½pc '20	(83.0)	3.78	3.93	132⅛	−⅛	152⅞	128½
2½pc '24‡‡	(97.7)	3.78	3.92	109⅞	−⅛	129⅛	106⅞
4⅛pc '30‡‡	(135.1)	3.81	3.95	108⅞	−⅛	128⅞	105⅞

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for May 1994: 144.7 and for December 1994: 146.0.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or −	1994/95 High	1994/95 Low
Asian Dev 10¼pc 2009	9.35	9.02	109⅝	−⅛	138⅜	107⅞
B'ham 11½pc 2012	8.78	8.42	117⅛	—	142	115
Ireland Cap 8½pc '10	8.79	-	96¼	−⅛	118½	98⅞
9pc Cap 1996	8.98	-	100¼	—	103½	99¾
13pc '97-2	12.09	-	107½	−⅛	115⅞	108
[illegible]						

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

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CURRENCIES AND MONEY

MARKETS REPORT

Yen weakens as earthquake worries continue

The yen was yesterday the focus of currency market attention as stock market weakness, and the prospect of lower interest rates, undermined the currency, *writes Philip Gawith.*

The 5.6 per cent fall in the Nikkei Stock Average caused the yen to weaken to Y100.2 against the dollar, from around Y99.4, during Asian trading. The move was not carried through during European trading, with the yen recovering to close in London at Y99.725, from Y99.17.

Comments from Mr Yasuo Matsushita, the Bank of Japan governor, indicating an easing of monetary conditions following last week's earthquake, also caused yen weakness.

The generally weak tone of the dollar was attributed to continued concerns that the Mexican financial crisis was bad for the US economy. Worries about the delay in announcing a US support package for the Mexican peso, meanwhile, caused the peso to slip two centavos, to 5.715 pesos, from 5.695 pesos.

In Europe, the D-Mark had a mixed performance. It was firmer against the peseta and the Swedish krona, but lost ground against the escudo, the lira and the french franc.

In the UK, strong fourth quarter GDP figures bolstered expectations of a further monetary tightening, lending support to the pound. Sterling gained around one pfennig, and one cent, during the day to touch the DM2.41 and $1.5950 41 levels in New York trading.

■ A market perception is gradually developing that last week's earthquake is bad for the yen. Firstly, the economic damage caused is seen as making Japanese assets less attractive. Exacerbating this fear yesterday, and causing the sharp fall in share prices, was a newspaper story which suggested that the government might be scaling back its support of the stockmarket.

Secondly, the Bank of Japan has made clear that it is ensuring adequate liquidity to regions which suffered damage. The market has concluded that this means interest rates will stay low for longer than originally anticipated.

This was reflected in the movement of euroyen futures, with the June, September and December contracts yesterday gaining six, 13 and 17 basis points respectively.

If the market's one eye is on Japan, the other is still very much with Mexico. While the market's reasoning is not always clear or consistent, the main conclusion is simple enough: events in Mexico are bad for the US, and the dollar.

Thus, explanations for recent dollar weakness have included both the fact that a dollar support package might not be passed (perhaps leading to financial melt-down in Mexico), and that it would be passed (leading to more US spending).

In terms of economic data, dollar traders will be watching the preliminary estimate of fourth quarter GDP, to be released on Friday. This will shape market expectations of what the Federal Open Market Committee is likely to do when it meets next week.

Most analysts argue that the dollar needs a further decisive tightening if it is to recover. A glimmer of hope for dollar bulls came from Mr Hans-Juergen Krupp, a Bundesbank council member. He seemed to indicate that a further cut in German interest rates might be in the offing, saying that the current German discount rate, of 4.5 per cent, was too high a level from which to start tightening policy.

Analysts warned, though, that Mr Krupp is known as an inflation dove. Recent economic data have also not supported a cut in rates.

■ European currencies were the subject of some high level comment. Mr Edouard Balladur, the French prime minister, said that European monetary union would contribute to world monetary stability. He said economic convergence in the EU should make it possible to set up a single currency as early as 1997.

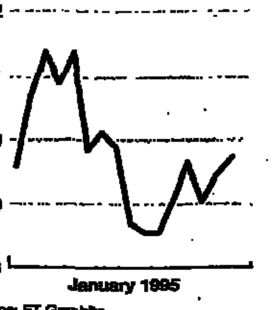
In Italy, meanwhile, Mr Lamberto Dini, the prime minister, said the return of the lira to the exchange rate mechanism "remains our primary objective."

■ The Bank of England provided UK money markets with £195 of late assistance. Earlier it had injected £141m liquidity at established rates, after forecasting a shortage of £600m. Overnight money traded between 5¾ and 7¼ per cent.

Money market rates were firmer, with three month LIBOR trading around 6 11/16 per cent, from 6⅝ per cent.

Dollar

Against the Yen (Y per $)



Source: FT Graphite

■ **Pound in New York**

Jan 23	Latest	Prev. close
£ spot	1.5955	1.5890
1 mth	1.5950	1.5887
3 mth	1.5943	1.5882
1 yr	1.5908	1.5845

■ **OTHER CURRENCIES**

Jan 23	£	$
Hungary	178.418 - 178.622	111.910 - 112.010
Iran	2731.00 - 2734.00	1748.00 - 1750.00
Kuwait	0.4764 - 0.4767	0.2988 - 0.2989
Poland	3.8375 - 3.8432	2.4070 - 2.4100
Russia	6354.08 - 6358.87	3985.00 - 3988.00
U.A.E.	5.8554 - 5.8573	3.6727 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Jan 23		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.9336	-0.0004	275 - 397	16.9410	16.8771	16.9211	0.9	16.8874	1.1	-	-	116.4
Belgium	(BFr)	49.6288	+0.1543	146 - 430	49.6430	49.4140	49.5788	1.2	49.4938	1.1	48.9688	1.3	118.0
Denmark	(DKr)	9.4953	+0.0316	917 - 988	9.5000	9.4492	9.4973	-0.3	9.4975	-0.1	9.4728	0.2	117.5
Finland	(FM)	7.4735	+0.0534	666 - 804	7.4830	7.4190	-	-	-	-	-	-	88.8
France	(FFr)	8.3337	+0.0289	310 - 363	8.3385	8.2927	8.3289	0.7	8.3194	0.7	8.2539	1.0	110.6
Germany	(DM)	2.4068	+0.008	061 - 075	2.4087	2.3951	2.404	1.4	2.398	1.5	2.3625	1.8	128.2
Greece	(Dr)	375.026	+1.523	820 - 233	375.250	372.765	-	-	-	-	-	-	-
Ireland	(I£)	1.0106	+0.0014	102 - 110	1.0120	1.0073	1.0103	0.4	1.01	0.2	1.0086	0.2	105.4
Italy	(L)	2526.52	-4.04	609 - 695	2530.07	2512.22	2532.02	-2.6	2541.52	-2.4	2585.87	-2.3	73.3
Luxembourg	(LFr)	49.6288	+0.1543	146 - 430	49.6430	49.4140	49.5788	1.2	49.4938	1.1	48.9688	1.3	118.0
Netherlands	(Fl)	2.6990	+0.0089	979 - 001	2.7008	2.6820	2.6963	1.2	2.69	1.3	2.6525	1.7	122.1
Norway	(NKr)	10.5333	+0.0334	296 - 370	10.5442	10.4892	10.5327	0.1	10.5317	0.1	10.5217	0.1	87.2
Portugal	(Es)	248.902	-1.96	791 - 012	251.772	247.419	249.502	-2.9	251.152	-3.6	-	-	-
Spain	(Pta)	209.773	+1.111	698 - 847	209.891	208.201	210.183	-2.3	211.018	-2.4	214.958	-2.5	83.0
Sweden	(SKr)	11.8569	+0.0735	488 - 650	11.8718	11.7531	11.8754	-1.9	11.9104	-1.8	12.0269	-1.4	74.5
Switzerland	(SFr)	2.0161	+0.0011	174 - 187	2.0200	2.0129	2.0139	2.5	2.0059	2.4	1.9603	2.9	123.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.1
Ecu	-	1.2721	+0.0031	714 - 727	1.2735	1.2684	1.2718	0.3	1.271	0.4	1.2647	0.6	-
SDR†	-	0.929161	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5949	+0.0045	945 - 952	1.5952	1.5855	-	-	-	-	-	-	-
Brazil	(Cr)	1.3577	+0.0085	567 - 587	1.3593	1.3457	-	-	-	-	-	-	-
Canada	(C$)	2.2649	-0.0016	642 - 656	2.2682	2.2501	2.2687	-2.0	2.2765	-2.0	2.2957	-1.4	83.1
Mexico	(New Peso)	9.1126	+0.0572	716 - 536	9.1600	8.9077	-	-	-	-	-	-	-
USA	($)	1.5945	+0.0044	943 - 947	1.5964	1.5850	1.5942	0.2	1.5937	0.2	1.59	0.3	82.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0777	+0.0096	767 - 786	2.0792	2.0735	2.0813	-2.1	2.0878	-1.9	2.1233	-2.2	-
Hong Kong	(HK$)	12.3330	+0.0371	306 - 353	12.3474	12.2584	12.3491	-1.6	12.3633	-1.0	12.2583	0.6	-
India	(Rs)	50.0235	-0.1436	132 - 337	50.0790	49.7250	-	-	-	-	-	-	-
Israel	(Shk)	4.7810	+0.0153	762 - 857	4.7864	4.7550	-	-	-	-	-	-	-
Japan	(Y)	159.012	+1.327	952 - 071	159.450	157.540	158.442	4.3	157.357	4.2	151.102	5.0	188.3
Malaysia	(M$)	4.0763	+0.0193	750 - 776	4.0807	4.0461	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4788	+0.0019	775 - 801	2.4805	2.4742	2.4845	-2.8	2.4949	-2.6	2.5292	-2.0	-
Philippines	(Peso)	39.3842	+0.1894	604 - 080	39.7075	39.0800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9802	+0.0166	791 - 812	5.9870	5.9449	-	-	-	-	-	-	-
Singapore	(S$)	2.3116	+0.0132	105 - 126	2.3135	2.2935	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6314	+0.0157	295 - 333	5.6369	5.6026	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.6571	+0.0822	403 - 738	6.6742	6.5644	-	-	-	-	-	-	-
South Korea	(Won)	1263.40	+3.05	316 - 364	1264.83	1255.40	-	-	-	-	-	-	-
Taiwan	(T$)	41.9390	+0.158	261 - 518	41.9813	41.6490	-	-	-	-	-	-	-
Thailand	(Bt)	39.9901	+0.1164	771 - 030	40.0300	39.7550	-	-	-	-	-	-	-

†SDR rates for Jan 20. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.6200	-0.03	175 - 225	10.6625	10.6115	10.7585	0.8	10.5927	1.0	10.46	1.5	105.4
Belgium	(BFr)	31.1250	+0.01	200 - 300	31.2400	31.1050	31.0925	0.9	31.055	0.9	30.795	1.1	106.8
Denmark	(DKr)	5.9550	+0.0032	535 - 565	5.9783	5.9500	6.0317	0.0	5.9535	0.1	5.952	0.1	105.7
Finland	(FM)	4.6871	+0.0205	833 - 908	4.6997	4.6754	4.7242	0.4	4.6831	0.3	4.6746	0.3	83.4
France	(FFr)	5.2265	+0.0035	255 - 275	5.2465	5.2197	5.221	0.5	5.2203	0.5	5.191	0.7	106.8
Germany	(DM)	1.5095	+0.0008	092 - 097	1.5160	1.5075	1.5072	1.2	1.5048	1.3	1.4858	1.6	106.6
Greece	(Dr)	235.200	+0.3	100 - 300	236.100	235.060	241.075	-15.1	242.95	-13.2	255.35	-8.6	68.5
Ireland	(I£)	1.5778	+0.0022	773 - 782	1.5788	1.5690	1.5581	-0.1	1.5776	0.1	1.5768	0.1	-
Italy	(L)	1584.52	-8.98	445 - 459	1589.00	1583.00	1585.25	-2.8	1594.62	-2.5	1626.52	-2.7	73.4
Luxembourg	(LFr)	31.1250	+0.01	200 - 300	31.2400	31.1050	31.0925	0.9	31.055	0.9	30.795	1.1	106.8
Netherlands	(Fl)	1.6927	+0.0008	922 - 932	1.6994	1.6907	1.6905	1.0	1.6879	1.1	1.6682	1.5	106.7
Norway	(NKr)	6.6060	+0.0025	045 - 075	6.6316	6.5985	6.6922	0.4	6.599	0.4	6.551	0.8	97.3
Portugal	(Es)	158.100	-1.67	050 - 150	157.900	155.950	158.52	-4.7	157.825	-4.4	162.525	-4.1	95.6
Spain	(Pta)	131.560	+0.35	530 - 590	131.950	131.200	131.515	-2.6	132.415	-2.6	135.21	-2.8	78.3
Sweden	(SKr)	7.4362	+0.0255	320 - 403	7.4713	7.4105	7.4615	-2.2	7.4737	-2.0	7.5662	-1.7	80.0
Switzerland	(SFr)	1.2657	-0.0028	654 - 659	1.2732	1.2648	1.2661	2.2	1.2587	2.2	1.2292	2.9	108.4
UK	(£)	1.5945	+0.0044	943 - 947	1.5964	1.5850	1.5896	0.2	1.5937	0.2	1.59	0.3	88.1
Ecu	-	1.2535	+0.0005	530 - 540	1.2543	1.2477	1.2531	-0.1	1.254	-0.1	1.2573	-0.3	-
SDR†	-	1.47272	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0002	-	001 - 003	1.0003	1.0000	-	-	-	-	-	-	-
Brazil	(Cr)	0.8515	+0.003	510 - 520	0.8530	0.8510	-	-	-	-	-	-	-
Canada	(C$)	1.4205	-0.005	202 - 207	1.4230	1.4180	1.4232	-2.2	1.4279	-2.1	1.4432	-1.6	79.7
Mexico	(New Peso)	5.7150	+0.02	900 - 400	5.7400	5.6900	5.7158	-0.2	5.7162	-0.1	5.7176	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3029	+0.0023	026 - 035	1.3082	1.2999	1.3051	-2.0	1.3097	-2.1	1.3352	-2.5	90.0
Hong Kong	(HK$)	7.7347	+0.0017	342 - 352	7.7400	7.7340	7.7358	-0.2	7.7389	-0.1	7.7417	-0.1	-
India	(Rs)	31.3725	+0.0025	700 - 750	31.3750	31.3700	31.4525	-3.1	31.6975	-4.1	-	-	-
Israel	(Shk)	2.9984	+0.0012	958 - 010	3.0019	2.9950	-	-	-	-	-	-	-
Japan	(Y)	99.7250	+0.555	000 - 500	100.210	99.3500	99.385	4.1	98.755	3.9	95.01	4.7	148.5
Malaysia	(M$)	2.5565	+0.005	560 - 570	2.5585	2.5510	2.5545	0.9	2.55	1.0	2.534	0.9	-
New Zealand	(NZ$)	1.5545	-0.0031	540 - 552	1.5610	1.5513	1.558	-2.7	1.564	-2.4	1.589	-2.2	-
Philippines	(Peso)	24.7000	+0.05	000 - 000	24.9000	24.5000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0001	503 - 507	3.7508	3.7503	3.7531	-0.8	3.7584	-0.6	3.768	-0.5	-
Singapore	(S$)	1.4497	+0.0042	492 - 502	1.4504	1.4470	1.4447	4.1	1.4394	2.8	1.416	2.3	-
S Africa (Com.)	(R)	3.5318	-	310 - 325	3.5398	3.5310	3.5468	-5.1	3.5778	-5.2	3.7338	-5.7	-
S Africa (Fin.)	(R)	4.1750	+0.04	650 - 850	4.1850	4.1400	4.2025	-7.9	4.2525	-7.4	4.485	-7.4	-
South Korea	(Won)	792.350	-0.3	300 - 400	792.500	791.400	795.35	-4.5	798.85	-3.3	817.35	-3.2	-
Taiwan	(T$)	26.3023	+0.0258	975 - 070	26.3220	26.2750	26.3223	-0.9	26.3623	-0.9	-	-	-
Thailand	(Bt)	25.0800	+0.003	750 - 850	25.0900	25.0650	25.0925	-0.6	25.1065	-0.4	25.1325	-0.2	-

†SDR rate for Jan 20. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 20. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 23	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4 7/8	5 3/16	5 7/16	5 13/16	6 3/8	7.40	4.50	-
week ago	4 7/8	5 3/16	5 7/16	5 3/4	6 1/4	7.40	4.50	-
France	5 3/16	5 1/2	5 13/16	6 3/16	6 3/4	5.00	-	6.40
week ago	5 5/8	5 1/2	5 7/8	6 1/4	6 7/8	5.00	-	6.40
Germany	4.80	4.95	5.10	5.30	5.75	6.00	4.50	4.85
week ago	4.83	4.95	5.10	5.30	5.80	6.00	4.50	4.85
Ireland	5 1/4	5 3/4	6 1/4	6 13/16	7 3/4	-	-	6.25
week ago	5 1/4	5 3/4	6 1/4	6 3/4	7 3/4	-	-	6.25
Italy	8 3/8	8 3/4	8 7/8	9 3/16	10 1/8	-	7.50	8.20
week ago	8 5/8	8 5/8	9 1/8	9 1/2	10 3/16	-	7.50	8.20
Netherlands	4.84	5.08	5.17	5.40	5.90	-	5.25	-
week ago	4.84	5.08	5.18	5.32	5.92	-	5.25	-
Switzerland	3 3/4	3 7/8	4 1/8	4 3/8	4 3/4	6.625	3.50	-
week ago	3 1/4	3 7/8	4 1/8	4 3/16	4 1/2	6.625	3.50	-
US	5 5/8	5 7/8	6 1/4	6 11/16	7 1/4	-	4.75	-
week ago	5 9/16	5 7/8	6 1/4	6 5/8	7 1/4	-	4.75	-
Japan	2 1/4	2 1/4	2 1/4	2 1/2	2 3/8	-	1.75	-
week ago	2 1/4	2 1/4	2 1/4	2 1/2	2 3/8	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6	6 3/8	6 3/4	7 3/16	-	-	-
week ago	-	6	6 3/8	6 3/4	7 3/16	-	-	-
US Dollar CDs	-	5.80	6.15	6.53	7.24	-	-	-
week ago	-	5.80	6.00	6.40	7.08	-	-	-
SDR Linked Ds	-	4.58	4.94	5.25	5.69	-	-	-
week ago	-	4.56	4.94	5.25	5.69	-	-	-

ECU Linked Ds mid rates: 1 mth: 5¾; 3 mths: 6¼; 6 mths: 6½; 1 year: 7. $ LIBOR Interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds)

EURO CURRENCY INTEREST RATES

Jan 23	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	5 - 4 7/8	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5 13/16 - 5 11/16	6 5/16 - 6 3/16
Danish Krone	5 1/4 - 5	5 3/4 - 5 1/2	5 7/8 - 5 5/8	6 1/4 - 6	6 3/4 - 6 5/8	7 7/16 - 7 3/16
D-Mark	4 3/4 - 4 5/8	4 7/8 - 4 3/4	4 15/16 - 4 13/16	5 1/16 - 4 15/16	5 5/16 - 5 3/16	5 13/16 - 5 11/16
Dutch Guilder	5 - 4 15/16	5 - 4 15/16	5 1/8 - 5 1/16	5 3/16 - 5 1/16	5 3/8 - 5 1/4	5 15/16 - 5 13/16
French Franc	5 7/16 - 5 3/16	5 7/16 - 5 3/16	5 1/2 - 5 3/8	5 13/16 - 5 11/16	6 3/16 - 6 1/16	6 3/4 - 6 5/8
Portuguese Esc.	8 3/4 - 8 1/2	9 - 8 3/4	9 5/16 - 9 3/16	11 1/16 - 10 7/8	11 1/16 - 10 7/8	11 5/8 - 11 3/16
Spanish Peseta	8 3/16 - 8 1/16	8 3/8 - 8 1/4	8 3/4 - 8 5/8	9 1/2 - 9 3/8	9 1/2 - 9 3/8	10 5/16 - 10 3/16
Sterling	6 3/8 - 6 1/4	6 1/4 - 6 1/8	6 3/8 - 6 1/4	6 13/16 - 6 11/16	7 1/8 - 7	7 7/8 - 7 13/16
Swiss Franc	3 3/4 - 3 5/8	3 13/16 - 3 11/16	3 13/16 - 3 13/16	4 1/8 - 4	4 3/8 - 4 1/4	4 11/16 - 4 9/16
Can. Dollar	7 - 6 13/16	7 3/8 - 7 3/16	8 - 7 7/8	8 5/16 - 8 3/16	8 3/4 - 8 5/8	9 1/8 - 9
US Dollar	5 1/2 - 5 3/8	5 5/8 - 5 1/2	6 - 5 7/8	6 5/16 - 6 3/16	6 3/4 - 6 5/8	7 7/16 - 7 5/16
Italian Lira	9 - 7 1/2	8 1/2 - 8 3/8	8 5/8 - 8 1/2	8 15/16 - 8 13/16	9 7/16 - 9 5/16	10 5/16 - 10 3/16
Yen	2 1/4 - 2 3/16	2 1/4 - 2 3/16	2 3/16 - 2 1/4	2 5/16 - 2 1/4	2 3/8 - 2 5/16	2 5/8 - 2 1/2
Asian $Sing	3 7/8 - 3 5/8	4 3/8 - 4 1/4	3 5/8 - 3 1/2	4 3/16 - 4 1/16	4 9/16 - 4 7/16	4 7/8 - 4 5/8

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.79	93.80	-	93.86	93.79	12,805	45,004
Jun	93.33	93.33	-	93.40	93.32	10,022	46,690
Sep	92.95	92.96	-0.02	93.03	92.95	5,458	34,006
Dec	92.68	92.66	-0.02	92.71	92.65	1,726	19,742

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		93.22	+0.02			0	1402
Jun	92.55	92.55	+0.04	92.55	92.54	145	613
Sep		92.11	+0.02			0	177
Dec		91.76	-0.03			0	0

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.71	94.72	+0.01	94.74	94.71	24357	197009
Jun	94.26	94.28	+0.02	94.31	94.26	34037	156016
Sep	93.87	93.86	+0.01	93.90	93.85	12908	92549
Dec	93.46	93.44	-	93.48	93.42	7325	68509

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.31	90.45	+0.21	90.47	90.31	10892	36510
Jun	89.83	89.88	+0.17	89.93	89.83	5124	21967
Sep	89.55	89.50	+0.14	89.55	89.47	1997	27066
Dec	89.32	89.25	+0.14	89.33	89.23	675	15744

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.69	95.69	+0.01	95.73	95.66	2802	20235
Jun	95.35	95.33	+0.01	95.37	95.31	1081	10403
Sep	95.07	95.05	-	95.07	95.04	304	5977
Dec	94.81	94.79	-0.01	94.82	94.79	16	4067

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.48	93.44	+0.01	93.48	93.43	1130	9248
Jun	92.98	92.94	+0.01	92.98	92.93	652	6215
Sep	92.54	92.52	-	92.55	92.52	410	2995
Dec	92.16	92.13	+0.01	92.16	92.13	6	1771

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.13	16.79	4.850	2.037	5092	5.438	21.22	501.5	422.7	23.90	4.066	2.015	4.564	3.212	320.4	2.563
Denmark	(DKr)	52.27	10	8.777	2.535	1.065	2661	2.843	11.09	262.1	221.0	12.49	2.125	1.053	2.385	1.679	167.5	1.340
France	(FFr)	59.55	11.39	10	2.888	1.213	3032	3.239	12.63	298.7	251.7	14.23	2.421	1.200	2.718	1.913	190.8	1.526
Germany	(DM)	20.62	3.945	3.462	1	0.420	1050	1.121	4.375	103.4	87.16	4.927	0.838	0.415	0.941	0.662	66.06	0.528
Ireland	(I£)	49.09	9.392	8.243	2.381	1	2500	2.670	10.42	246.2	207.5	11.73	1.996	0.989	2.240	1.577	157.3	1.258
Italy	(L)	1.964	0.376	0.330	0.095	0.040	100.	0.107	0.417	9.850	8.302	0.469	0.080	0.040	0.090	0.063	6.292	0.050
Netherlands	(Fl)	18.39	3.518	3.088	0.892	0.375	936.3	1	3.901	92.22	77.73	4.394	0.748	0.371	0.839	0.591	58.91	0.471
Norway	(NKr)	47.13	9.017	7.915	2.286	0.960	2400	2.563	10	236.4	199.2	11.26	1.916	0.950	2.151	1.514	151.0	1.208
Portugal	(Es)	19.94	3.815	3.348	0.967	0.406	1015	1.084	4.231	100.	84.29	4.765	0.811	0.402	0.910	0.640	63.88	0.511
Spain	(Pta)	23.66	4.526	3.972	1.147	0.482	1204	1.286	5.019	118.6	100.	5.653	0.962	0.477	1.080	0.760	75.79	0.606
Sweden	(SKr)	41.85	8.006	7.027	2.030	0.852	2131	2.276	8.879	209.9	176.9	10	1.702	0.843	1.910	1.344	134.1	1.073
Switzerland	(SFr)	24.59	4.705	4.130	1.193	0.501	1252	1.337	5.218	123.3	104.0	5.877	1	0.496	1.122	0.790	78.79	0.630
UK	(£)	49.63	9.495	8.334	2.407	1.011	2527	2.699	10.53	248.9	209.8	11.86	2.018	1	2.265	1.594	159.0	1.272
Canada	(C$)	21.91	4.192	3.679	1.063	0.446	1116	1.192	4.649	109.9	92.63	5.236	0.891	0.442	1	0.704	70.20	0.562
US	($)	31.14	5.957	5.228	1.510	0.634	1585	1.693	6.606	156.1	131.6	7.440	1.266	0.627	1.421	1	99.75	0.798
Japan	(Y)	31.21	5.972	5.242	1.514	0.636	1589	1.697	6.623	156.5	131.9	7.459	1.269	0.629	1.425	1.003	100.	0.800
Ecu		39.02	7.465	6.552	1.892	0.795	1987	2.122	8.278	195.7	164.9	9.324	1.586	0.786	1.781	1.253	125.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6619	0.6635	+0.0006	0.6638	0.6609	35,226	79,852
Jun	0.6636	0.6662	-	0.6662	0.6636	466	2,408
Sep	-	0.6680	-	-	0.6680	6	164

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0110	1.0072	-0.0038	1.0118	1.0026	22,379	75,105
Jun	1.0203	1.0192	-0.0045	1.0203	1.0154	809	7,990
Sep	-	1.0310	-	-	1.0305	127	481

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7886	0.7922	+0.0026	0.7928	0.7878	23,278	39,238
Jun	0.7939	0.7977	+0.0031	0.7977	0.7938	273	1,341
Sep	-	0.8025	-	0.8025	-	11	67

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5864	1.5914	+0.0022	1.5928	1.5854	14,957	40,357
Jun	1.5840	1.5910	-	1.5930	1.5840	15	1,290
Sep	-	1.5890	-	1.5890	1.5840	5	4

UK INTEREST RATES

LONDON MONEY RATES

Jan 23	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 1/4 - 5 3/4	6 3/8 - 6 1/8	6 5/16 - 6 3/16	6 3/4 - 6 5/8	7 1/8 - 7	7 13/16 - 7 11/16
Sterling CDs	-	-	6 5/16 - 6 3/16	6 11/16 - 6 9/16	7 - 6 15/16	7 3/4 - 7 5/8
Treasury Bills	-	-	5 15/16 - 5 13/16	5 15/16 - 5 13/16	-	-
Bank Bills	-	-	6 3/8 - 6 1/4	6 5/8 - 6 7/16	7 - 6 7/8	-
Local authority deps.	6 5/16 - 6 3/16	6 5/16 - 6 1/16	6 1/4 - 6 1/8	6 5/8 - 6 1/2	7 1/16 - 6 15/16	7 7/8 - 7 3/4
Discount Market deps	6 1/2 - 5 1/4	6 1/4 - 6 1/8	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2	2½	5¼	5½	5¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount 5.8761pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 30, 1994. Agreed rate for period Jan 25, 1995 to Feb 25, 1995, Schemes II & III 7.71pc. Reference rate for period Dec 1, 1994 to Dec 30, 1994, Schemes IV & V 6.402pc. Finance House Base Rate 6½pc from Jan 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.83	92.85	-	92.87	92.83	10760	91981
Jun	92.09	92.10	-0.01	92.12	92.08	11971	75005
Sep	91.59	91.58	-0.02	91.61	91.56	2836	59382
Dec	91.28	91.27	-0.02	91.30	91.25	1484	47433

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9275	0.22	0.09	0.08	0.12	0.74	1.25
9300	0.09	0.05	0.05	0.24	0.95	1.47
9325	0.03	0.02	0.03	0.43	1.17	1.70

Est. vol. total, Calls 4145 Puts 3758. Previous day's open int., Calls 118435 Puts 114658

EMS EUROPEAN CURRENCY UNIT RATES

Jan 23	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.13022	+0.00192	-3.03	10.59	-
Belgium	40.2123	39.1591	+0.0221	-2.62	10.13	19
Germany	1.94964	1.89946	+0.0017	-2.57	10.07	-
Austria	13.7167	13.3638	+0.0117	-2.57	10.07	-
Ireland	0.808628	0.798204	-0.000043	-1.29	8.64	9
France	6.53883	6.57586	+0.00132	0.57	6.64	-5
Denmark	7.43679	7.49242	+0.00471	0.75	6.44	-5
Portugal	192.854	196.272	+0.314	1.77	5.37	-12
Spain	154.250	165.419	+0.009	7.24	0.00	-51
NON ERM MEMBERS						
Greece	264.513	295.870	+0.248	11.85	-4.12	-
Italy	1793.19	1989.92	-14.44	10.97	-3.36	-
UK	0.786749	0.790858	+0.000264	0.52	6.68	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Puts Feb	Puts Mar	Puts Apr
1.500	8.99	9.08	9.20	-	-	0.21
1.525	6.56	6.78	7.08	-	0.13	0.50
1.550	4.16	4.61	5.13	0.05	0.44	1.02
1.575	2.11	2.78	3.48	0.44	1.09	1.83
1.600	0.71	1.49	2.24	1.54	2.23	2.96
1.625	0.15	0.68	1.33	3.41	3.88	4.51

Previous day's vol., Calls 15,753 Puts 20,570. Prev. day's open int., Calls 228,043 Puts 272,707

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.21	93.21	+0.02	93.27	93.19	76,961	420,824
Jun	92.50	92.53	+0.03	92.58	92.50	163,929	389,417
Sep	92.09	92.08	-	92.14	92.07	69,742	283,470

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.88	93.87	+0.03	93.88	93.85	2,244	12,601
Jun	93.17	93.17	+0.03	93.18	93.15	1,397	7,566
Sep	-	92.74	-	92.75	-	115	3,124

All Open Interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
9450	0.24	0.26	0.09	0.14	0.02	0.04	0.31	0.36
9475	0.05	0.09	0.03	0.06	0.08	0.12	0.50	0.53
9500	0.01	0.02	0.01	0.03	0.29	0.30	0.73	0.75

Est. vol. total, Calls 3591 Puts 17707. Previous day's open int., Calls 151506 Puts 202671

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9550	0.23	0.15	0.13	0.04	0.32	0.58
9575	0.08	0.07	0.07	0.14	0.49	0.77
9600	0.02	0.03	0.03	0.33	0.70	0.98

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1795 Puts 2015

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	6.25	Exeter Bank Limited	7	Royal Bk of Scotland	6.25
AIB Bank	6.25	Financial & Gen Bank	7.00	Singer & Friedlander	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	●Smith & Williamson Secs.	6.25
Bank of Baroda	6.25	Girobank	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	●United Bk of Kuwait	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Unity Trust Bank Plc	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Western Trust	6.25
Bank of India	6.25	Heritable & Gen Inv Bk.	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai.	6.25		
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Banking	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

● Members of London Investment Banking Association
* In administration

LEGAL NOTICES

In The High Court of Justice No. 00137 of 1995
Chancery Division
IN THE MATTER OF
FENNER PLC
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 11 January 1995 presented to Her Majesty's High Court of Justice for the cancellation of the above named Company's share premium account as at 8 December 1994.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London, WC2A 2LL on 1 February 1995.

Any creditor or shareholder of the Company desiring to oppose the making of an Order for the confirmation of the said cancellation of share premium account should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any such person requiring the same by the under mentioned solicitors on payment of the regulated charge for the same.

Dated 20 January 1995
Nabarro Nathanson
50 Stratton Street
London
W1X 5FL
Tel: 071 493 9933 Fax: 071 629 7900
Ref: IA/NXF/F951/6
Solicitors for the Petitioning Company

In The High Court of Justice, No. 008070 of 1994 Chancery Division
IN THE MATTER OF
ALLIED LEISURE PLC
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented in Her Majesty's High Court of Justice on the 19th day of December 1994 for the confirmation of the cancellation of the share premium account of the Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 1st day of February 1995.

ANY creditor or shareholder of the said Company desiring to oppose the making of an Order for confirmation of the said cancellation of the share premium account of the Company should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated this 20th day of January 1995.
Denton Hall
Five Chancery Lane
Clifford's Inn
London
EC4A 1BU.
Tel: 071 242 1212
Ref: SBG/db-32604.01.
Solicitors for the above-named Company

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf.		97	-½	117	88¼	12.1	10.3	-
9¾pc Non-Cum Prf		117	-¼	137½	107	46.8	10.4	-
Cater Allen	♣†N☐	441	-13	*630¼	441	143.6	8.0	9.1
Close Bros	♣N	220	+1	*285½	203	208.4	4.3	8.9
Gerrard & Nat	♣†N☐	478	-12	515	395	231.8	8.3	13.7
Hambros	♣N☐	243	-3	473	208	428.9	7.7	14.9
7½pc Cv Pf		111	—	191	99½	143.0	8.4	-
Joseph (L)	♣†N	393	—	443	393	28.8	5.6	11.4
King & Shaxson	♣N	99	-1	170	99	17.2	11.4	9.8
Kleinwort Benson	♣†N☐	573	-1	693	424	764.4	4.2	10.1
Rea Bros	♣†N☐	66	—	79	53	27.4	1.8	18.5
Schroders	♣†N☐	1385	-39	1674	1050	1,395	1.7	12.8
N/V	†N	1255	-48	1498	1043	363.9	1.8	11.5
Singer & Fried	♣†N☐	85	-½	114	75	163.1	4.6	10.8
Union	♣†N☐	89	—	*198	87	23.7	6.3	8.2
Warburg (SG)	♣N☐	738	+5	1012	569	1,619	3.7	13.5
Wintrust	♣N	215	—	380	203	18.3	6.0	14.4

BANKS, RETAIL

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	☐	£21⅞	-⅛	225⅛	£19⅜	6,630	5.2	ϕ
ANZ A$		202	-2	278¼	171	2,734	6.0	ϕ
Abbey National	†N☐	421	-8	523	380½	5,523	4.8	14.2
Allied Irish IE	♣†N☐	290	-10	314	223	1,886	5.0	9.5
Anglo Irish IE	N☐	50	-1	*78	50	172.1	0.8	9.1
Asahi Y	☐	636½	-32½	819¼	636	14,777	0.7	ϕ
Banco Bil Viz Pta	☐	£15⅜	+⅛	£17	£14⅛	3,585	5.3	7.1
Banco Sant Pta		£24	—	*£30½	£23¼	3,627	6.0	8.4
Bk Ireland IE	†N☐	288	-6	*319	246	1,389	5.0	8.3
Bank Scotland	♣†N☐	194	-3	247	172½	2,271	3.4	10.9
9¼pc Pf		117	-½	141½	108	117.0	9.9	-

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

	Notes	Price	+ or −	1994/95 high	low	Yld Gr's	NAV	Dis or Pm(-)
Approved by the Inland Revenue								
Aberforth Split Inc	N	89						
Cap		161	—	97	84	12.1	–	–
Units	N	282	−1	225	160	–	265.4	37.0
Abtrust Prf Inc	♣N☐	99xd	—	320	251	4.2	265.4	5.0
Zero Div Pf		167	−2	148	98	16.3	89.3	−8.9
Archimedes Inc	N	233xd	—	167½	165½	–	–	–
Cap		400	—	279	220	14.2	–	–
City of Oxford	♣N☐	33	−5	438	365	–	617.5	35.2
Warrants		6	−1	48	33	18.9	28.7	−19.1
Zero Div Pf		97½	—	18	6	–	–	–
Contra-Cycl Inc	♣N	63	—	104¼	96½	–	–	–
Cap	☐	20	−1	80	63	18.8	–	–
Zero Div Pf		85	—	25½	18½	–	40.7	50.9
Dartas Inc	♣N	78xd	+½	87½	80	–	–	–
Cap		34	−1	95	78	13.1	–	–
Derby Inc	♣NN	162	—	48	34	–	64.0	46.9
Cap		283	+2	173	147	13.9	–	–
Drayton Blue Chip	♣N☐	58	−2	328	268	–	432.3	82.2
Zero Pf		161½	−1	100	58	18.1	52.7	−9.1
Drayton Rec	♣N☐	98xd	—	161½	154	–	–	–
Pal Growth		149	—	144	98	10.1	91.1	−8.0
Edinburgh Income	♣N☐	47	−½	149½	147	–	–	–
Zero Div Pf		60½	—	61	45	10.6	35.4	−34.7
Exmoor Dual	♣N☐	24	—	61¼	55½	–	–	–
Inc	N	64xd	—	44	24	8.3	85.2	31.8
Zero Cpn Pf		243	+¼	86	64	17.7	–	–
Finsbury Smllr Co's	♣N	159xd	—	282	241	–	–	–
Zero Pf		188½	—	184	159	2.7	164.2	3.2
Fleming Geared Inc	♣aN	170xd	−½	189	177	–	–	–
Warrants		119	−¼	251	169	1.5	241.0	29.5
Cap Pfg Pf		159½	−1	220	115	–	–	–
Fleming I & C Inc	♣N☐	70xd	—	188	154	9.9	–	–
Units	N☐	118xd	−½	101½	70	8.8	74.7	6.3
Zero Div Pf		48½	−2	150	118	5.3	115.6	−3
Fleming Int High	♣N☐	34xd	−¼	48	41¾	–	–	–
Zero Div Pf		102	—	52½	33½	13.1	31.0	−8.8
For & Col SUIT Sp Inc	♣N☐	61½	−¼	102¼	96¾	–	–	–
Capital	☐	53	—	76	61	7.6	–	–
			−1	60	41	–	65.6	11.8

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

FOR MERCHANT BANKS SEE BANKS, MERCHANT

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

For PLANTATION stocks see section FOOD PRODUCERS

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

	Notes	Price	+ or −	high	low	Mkt Cap£m	Yld Gr's
Toronto-Dom		8⅝xd	−⅛	11¼	8⅝	2,843	4.4
Trans Can Pipe	♥	7⅜	−⅛	10⅞	7⅜	1,339	5.0

SOUTH AFRICANS

	Notes	Price	+ or −	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31	—	£34	£13½	2,022	2.4	22.7
Barlow	♣	£4⅝	−⅛	£5¾	£3¾	979.1	2.0	17.8
Gold Flds Prop R.		139xa	—	162	75	14.2	7.7	Φ
NK Props.		87½	—	98	85	3.52	13.6	–
SASOL	♥	440	−30	582	280	2,538	3.1	–
SA Brews	†	£13⅛	−⅜	£16⅜	£10	3,708	2.2	21.0
Tiger Oats		790	—	838	538	1,128	2.0	17.7
Tongaat-Hulett	†h	701	—	*725	350¼	638.9	2.0	20.8

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✲ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ♯ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Figures based on MMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Jupiter Tyndall (Bermuda) Ltd

Orion Fund Limited

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Frères Asset Management (CI) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lazard Fund Mngrs - Contd.

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bk of Canada G/S Fd Mgrs Ltd

Schroder Investment Management (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Baring Fund Managers (Guernsey) Ltd

CIBC Fund Managers (Guernsey) Ltd

Gartmore Investment Management (Guernsey) Ltd

Hambros Fund Managers (CI) Ltd

Lazard Fund Managers (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Rothschild Asset Mngmt (CI) Ltd

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

Baring International Fd Mngrs (Ireland) Ltd

Coutts & Co Fund Managers Limited

Dresdner International Management Services Ltd

Dynamic Pacific Portfolio Fund Plc

Emerging Dynamic Fund Plc

F.I.T. Investment Trust Ltd

Frank Russell Investments (Ireland) Ltd

GT Asset Management (Ireland) Ltd

Korea Capital Growth Fund

Morgan Grenfell Fixed Income Funds Plc

Pacific Growth Fund Ltd

Paine Webber Offshore Funds Plc

Prudential International Fund Plc

Scottish Widows Investment Management (Ireland) Ltd

Singer & Friedlander Inv Funds Ltd

Stellar Fund Plc

Ulster Bank Investment Services

Singer & Friedlander Inv Funds Ltd - Contd.

Swiss Life Investment Fund – Proteus (a)

Yellow Sea Investment Company PLC

Yield Korea Fund

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Argentine European Hedge Fund plc

Asia Small Cos Growth Fund (a)

Bank of Ireland Asset Management

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Ashburton Global Funds Ltd (1200)

Bank of Ireland

Leopold Joseph Fund Mngrs (IoM) Ltd

Sun Life Management (IoM) Ltd

ISLE OF MAN (REGULATED)(**)

ATC Fund Management Ltd

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

John Govett Management (IoM) Ltd

R & H Fund Managers Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Capital House Fund Mngrs (CI) Ltd

Gartmore Fund Mngrs Intl Ltd

John Govett (Channel Islands) Ltd

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

Royal Bank of Canada (Jsy) Fd Mgt Ltd

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Barclays Intl Funds

Citibank N.A.

Coutts & Co (Jersey) Fund Managers Ltd

Fleming Group

Foreign & Colonial Mngmt (Jersey) Ltd

INVESCO International Ltd

Jupiter Tyndall (Jersey) Ltd

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Schroder Mngt Services (Jersey) Ltd

Warburg Asset Management Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds

Commercial Union Luxembourg SA - Contd.

Dresdner Bank

Fidelity Funds

LUXEMBOURG (REGULATED)(**)

Alliance Capital

Midland Intl Global Fund SICAV

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

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OFFSHORE INSURANCES

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

Futures selling triggers setback in blue chips

By Terry Byland,
UK Stock Market Editor

Growing conviction that interest rates are headed higher, coupled with worries about the financial implications of the Japanese earthquake, yesterday smothered any potential benefits for the UK stock market of proposals for the largest corporate deal on record.

Glaxo's £9.4bn bid for Wellcome, the news the market had been waiting for, included around £6bn in cash, much of which is likely to be available for reinvestment in equities. But the wider global fears held sway and the FT-SE 100-share Index fell 40.8 points or 1.36 per cent to 2,954.2. At the day's low the Footsie touched 2,949.4. The wider-ranging FT-SE Mid 250 Index lost 40.3 at 3,384.3, confirming that bearish sentiment had ruled across the marketplace.

Both market indices and volume were distorted by the focus on the pharmaceuticals sector. Brokerage analysts calculated that, had the drugs sector been stripped out, the Footsie index would have shown a loss of nearer 50 points yesterday. Of Seaq volume of 623m shares traded, around 14.6 per cent came from Wellcome, Glaxo and Zeneca, with the last-named active as analysts suggested switching from Glaxo into the next likely bid candidate.

London shared in the general setback across European securities markets, opening sharply lower following widespread falls in Far Eastern markets as they followed the 6 per cent loss in Tokyo as the possible costs of the Kobe earthquake were calculated. Far Eastern investment trusts fell sharply.

Little recovery was made in the first half of the session and sentiment received a further blow from the UK GDP numbers for the fourth quarter of last year, which seemed to confirm that base rates will have to rise next month.

Markets were then hit again when New York opened to face bad news from the National Association of Purchasing Management (NAPM). A significant upgrading of the NAPM's pricing index set the scene for Friday's announcement of the US GDP figures which, markets are now convinced, will clinch the probability that the US Federal Reserve will raise interest rates when its open market committee meets on January 31.

London equities were undermined by a severe bout of selling of the Footsie March futures contract, which plunged to a discount against the cash market in mid-afternoon. While selling of equities, mostly from the big marketmaking firms, was not dramatic, there was no doubting the underlying weakness.

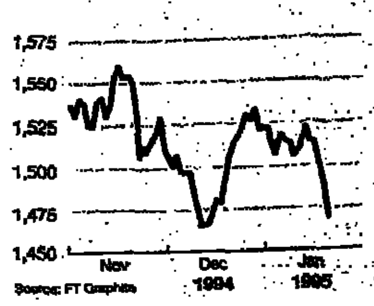
"If this is how the London market greets the biggest takeover bid in its history, then it is clear that we are in trouble," summed up a widely held view in the trading rooms.

Other company features were largely pushed aside by the activity in the blue chip drug stocks. Cadbury-Schweppes turned down after admitting that it is in discussions with Dr Pepper/Seven-up, thus confirming another long-held market rumour; the implications of the £500m rights issue involved were absorbed by a market concentrating on other things.

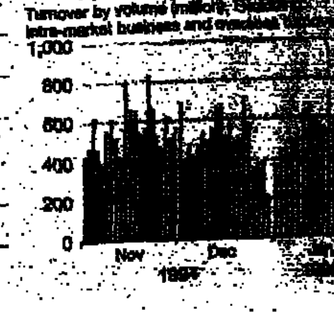
Interest rate-sensitive shares, including retail stores and construction company stocks, shared in the general setback. Blue chip internationals participated in the falls across global markets on the fear that the costs of the Kobe disaster, put by some sources at around 10 per cent of Japan's GDP, might bring a wave of repatriation of investments by Japanese investors.

There were few bright faces on the UK stock market at the close of trading yesterday, and this morning's opening is likely to be cautious at best. Investors feared a renewed slide in Far Eastern markets overnight and could see little reason why views on interest rate prospects should recover ahead of the FOMC meeting.

FT-SE-A All-Share Index



Equity Shares Traded



Key Indicators

Indices and ratios

FT-SE 100	2954.2	-40.8
FT-SE Mid 250	3384.3	-40.3
FT-SE-A 350	1482.4	-19.8
FT-SE-A All-Share	1469.23	-19.15
FT-SE-A All-Share yield	4.15	(4.10)
FT Ordinary index	2238.3	-42.6
FT-SE-A Non Fins p/e	17.57	(17.88)
FT-SE100 Fut Mar	2948.0	-49.0
10 yr Gilt yield	8.81	(8.79)
Long gilt/equity yld ratio:	2.14	(2.15)

Best performing sectors

1. Pharmaceuticals .... +2.7
2. Consumer Goods .... +0.1
3. Other Services & Bsns .... -0.1
4. Health Care .... -0.3
5. FT-SE-A Fledgling exIT .... -0.4

Worst performing sectors

1. Banks, Retail .... -3.0
2. Transport .... -2.6
3. Insurance .... -2.2
4. Investment Trusts .... -2.2
5. Telecommunications .... -2.2

Wellcome soars on bid move

A long-standing market rumour became fact yesterday as Glaxo launched a £9.4bn bid for Wellcome.

The latter shot up 273 to 961p on turnover of 50m shares, the highest ever recorded in the stock. Glaxo fell 44½ to 599p with 30m dealt. Trading in options was also ferocious.

The paper and cash offer, worth 1025p a share, will be the biggest corporate takeover in the UK if it succeeds. It would create the UK's biggest company by market capitalisation and the world's largest pharmaceuticals group.

Even after the sharp rises, investors purchasing Wellcome shares were still able to buy into Glaxo at a near 50p discount. The disparity reflected the element of uncertainty over the deal going ahead. Analysts said there were unlikely to be any problems with the UK's Monopolies and Mergers Commission but it was possible that the EU could rule against it.

There were also eyebrows raised over the performance of Wellcome shares last week and yesterday morning. There was particular unhappiness in the options section of Liffe, where one deal carried out just two minutes before the news broke netted a cool £500,000 for an investment of just £18,000. The background to that and other deals is expected to come in for close scrutiny from the Stock Exchange.

Nevertheless, Glaxo's offer had its fans. Dr Erling Refsum of Yamaichi said: "This is horizontal integration between a marketing-led company [Glaxo] and research-led company which already have close links. It will lead to significant cost cutting and a group with 5.3 per cent of global market share." Another specialist argued that between £600m and £800m of costs could be taken out "without a scratch" and the deal would be earnings enhancing from next year.

Drugs sector up

The pharmaceuticals sector was enlivened by the Glaxo bid for Wellcome and the spotlight shone on Zeneca, which has been considered for some time to be a rival takeover candidate. Zeneca jumped 24 to 916p, although one analyst questioned the wisdom of investing in a stock that was "already overvalued on fundamentals at a time when two potential bidders have been removed".

However, there was also the attraction of the weight of money that would be generated by the bid. It should pump some £6.3bn of cash into the beleaguered London stock market and much of that would go into the drugs sector. There was an argument that the main beneficiaries would be the second-line stocks, but Footsie stocks were also dragged higher. SmithKline Beecham improved 2 to 466p, Fisons 2½ to 108p, Medeva 2 to 174p, Scotia 9 to 325p and Smith & Nephew a half-penny to 155p.

Warburg talk

Takeover speculation continued to focus on other so-called bid targets such as S.G. Warburg, the merchant bank. The stock raced higher early in the session, touching a day's best of 763p, up amost 30, as speculators looked for the next big bid situation in London.

Aiding the upsurge in Warburg shares was the view that in the company's position as one of the UK's premier merchant banks it would inevitably play a major part in the sudden burst of merger and acquisition business erupting in the UK market; Warburg Securities is broker to Glaxo.

Dealers insisted, however, that the main driving force behind the Warburg share price was the continuing takeover stories circulating in the market. Dealers remain convinced that a potential bidder for Warburg is hovering. Warburg shares could not shrug aside the big falls across the market, however, and ended a net 5 higher at 736p. Mercury Asset Management closed 8 firmer at 757p, after 760p.

Commercial Union, which recently acquired control of Group Victoire, one of the big French insurers, was the main casualty in the composite insurance sector, the shares tumbling 19½ to 473½p as the market took fright at the massive flood damage affecting Brittany and other parts of France. Prudential dipped 4 to 309p, albeit in relatively light turnover of 1.8m shares, after news of the resignation of Mr Mick Newmarch, the group's chief executive.

Cadbury-Schweppes fell 12 to 389p after confirming that it was in merger talks with Dr Pepper/Seven-Up and was likely to make a £500m rights issue.

There have been worries over Cadbury's gearing following heavy acquisitions in 1993. There are also concerns over a possible price war, although Henderson Crosthwaite said that as a franchising company rather than a bottling company Dr Pepper would not suffer price competition from companies such as PepsiCo.

Associated British Foods put on 3 at 583p on what one analyst described as a "politically incorrect response" to news that it had one of the worst corporate governance records in the UK.

The big losses encompassing Japan, battered by the recent earthquake, and Hong Kong, where markets have been hit by the double impact of a weak dollar and worries about the health of Chinese leader Deng Xiaoping, produced worrying losses in associated stocks.

HSBC was the worst affected, the shares sliding 36 to 589p in heavy turnover of 5.6m shares. Standard Chartered receded 8 to 247p on 3.5m traded. Cable and Wireless, which derives more than half of its profits from its Far Eastern interests, finished 15 down at 354p following keen turnover of 5.8m shares.

British Aerospace was buoyed by the recent move to link up in turbo props with Franco-Italian venture ATR. Sentiment was also given a boost by news of a steep rise last year in global orders for turbo prop aircraft. According to US press reports, 1994 orders jumped from 182 aircraft to 332. BAe closed unchanged at 452p after 2.6m turnover.

T&N added a penny at 145p, helped by a note from Natwest Securities which looked beyond the present worries about a rights issue and dividend cut to an eventual recovery to 200p by 1997.

Channel tunnel operator Eurotunnel stood out in a retreating transport sector, tumbling more than 7 per cent with sentiment clouded by the discount to the 300p at which the bulk of the group's warrants are exercisable. The units closed down 19 at 278p.

P&O dipped 10 to 560p following a reaffirmed sell stance from James Capel.

Chemicals group BOC gained a penny at 727p, reflecting a severe shortage of stock in the market. Retailer John Menzies rose 10 to 511p on encouraging interim results.

MARKET REPORTERS:
Steve Thompson,
Peter John,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Jan 23	Jan 20	Jan 19	Jan 18	Jan 17	Yr ago	*High	*Low
Ordinary Share	2238.3	2280.9	2309.9	2338.1	2345.0	2671.1	2713.6	2238.3
Ord. div. yield	4.66	4.57	4.52	4.47	4.46	3.49	4.66	3.43
Earn. yld. % full	6.84	6.71	6.63	6.56	6.54	3.95	6.84	3.82
P/E ratio net	16.91	17.24	17.44	17.64	17.69	31.91	33.43	16.91
P/E ratio nil	16.37	16.69	16.89	17.09	17.13	29.58	30.80	16.37

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94: low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2261.4	2261.5	2250.8	2253.8	2245.9	2248.2	2238.6	2233.3	2236.1	2267.8	2232.6

	Jan 23	Jan 20	Jan 19	Jan 18	Jan 17	Yr ago
SEAQ bargains	23,573	18,864	18,416	20,014	21,188	41,204
Equity turnover (£m)†	-	1449.2	1413.4	1808.0	1218.4	1423.2
Equity bargains†	-	28,844	27,505	27,828	29,244	45,737
Shares traded (ml)†	-	553.5	610.3	742.5	561.4	720.1

†Excluding intra-market business and overseas turnover.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	2973.0	2948.0	-49.0	2985.0	2944.0	19102	[illegible]
Jun	2966.0	2958.0	-49.5	2986.0	2986.0	[illegible]	[illegible]
Sep		2982.0	-49.0			0	[illegible]

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		3370.0	-60.0			0	[illegible]

■ FT-SE 100 INDEX OPTION (LIFFE) (*2952) £10 per full index point

	2800 C	2800 P	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P
Feb	158½	9½	116	17½	79½	31½	48½	52	26½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	172½	9½	138	17½	101	31½	71½	52	48	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	194	146	156	59½	128	79½	98½	99½	75½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	199½	56½	158	74½	129½	98	106	122	82½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun†	216	62			151½	97½			101½	[illegible]			[illegible]	[illegible]		

Calls 8,146 Puts 10,239

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2775 C	2775 P	2825 C	2825 P	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P
Feb	188½	7½	137½	14	98½	24½	64	40	38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	189½	18½	159	28	115	42½	84	61½	58½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	202	27	165	40	132½	57½	103½	78½	78½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun			199½	70			141	109½			[illegible]	[illegible]			[illegible]	[illegible]
Sept			243	92			185½	130½			[illegible]	[illegible]			[illegible]	[illegible]

Calls 1,698 Puts 7,384 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	4.99	99	90½	Asset Man Inv	99		-	-	-	-
-	F.P.	1.93	7	5½	Cala. Media Wnts	6½		-	-	-	-
-	F.P.	64.4	173	133	Clydeport	156	-6	RN3.51	-	2.8	-
$10	F.P.	34.2	625	570	First Russian Fr	570	-15	-	-	-	-
500	F.P.	45.3	512	490	Gartmore Mic Uts	510		-	-	-	-
-	F.P.	28.3	104	94	Hill Hire	104	+1	N3.38	2.0	4.1	13.0
100	F.P.	27.0	103	100	Kiln Capital	100		F4.0	-	5.0	-
-	F.P.	27.1	55	52	Lazard Side India	52	-½	-	-	-	-
-	F.P.	3.16	32½	29½	Do Warrants	30½	-¾	-	-	-	-
35	F.P.	22.1	36	34	MCIT S Cap	34	-1	-	-	-	-
35	F.P.	23.4	36	35	MCIT S Inc	35		-	-	-	-
$3	F.P.	5.55	3½	3	MDE Group	3¼		bN0.1	3.2	3.7	10.4
100	F.P.	41.0	84	81	Matheson Lloyds	82		-	-	-	-
-	F.P.	21.0	130	100	Pentex Oil	105		-	-	-	-
182	F.P.	1,476.5	188	167	TeleWest	174	-3½	-	-	-	-
100	F.P.	17.6	102	102	Wellington Un.	102		-	-	-	-
-	F.P.	262.1	128	118	Woodchester Units	125		-	-	-	-

FT GOLD MINES INDEX

	Jan 20	% chg on day	Jan 19	Jan 18	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1837.82	-0.3	1843.95	1858.36	2281.11	2.33	2397.98	1782.82
■ Regional Indices								
Africa (16)	2796.00	+1.1	2765.92	2858.43	3060.73	4.88	3711.87	2304.45
Australasia (7)	2263.83	+0.4	2255.75	2228.33	3013.89	2.28	3013.89	2129.35
North America (11)	1492.98	-1.3	1512.57	1506.47	1945.04	0.86	1945.04	1388.34

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Jan 23: 208.8 ; day's change: -1.3 Year ago: 224.1 † Partial.
Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Jan 23	Day's chge%	Jan 20	Jan 19	Jan 18	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	2954.2	-1.4	2995.0	3028.6	3054.9	3481.4	4.37	7.52	15.71	3.28	1129.10
FT-SE Mid 250	3384.3	-1.2	3424.6	3449.3	3465.0	4100.9	3.74	6.46	18.47	6.72	1277.57
FT-SE Mid 250 ex Inv Trusts	3403.0	-1.0	3438.7	3460.4	3475.5	4115.0	3.88	6.96	17.26	7.04	1282.90
FT-SE-A 350	1482.4	-1.3	1502.2	1517.7	1529.4	1758.3	4.22	7.27	16.27	1.95	1159.65
FT-SE-A 350 Higher Yield	1509.6	-1.7	1535.8	1550.9	1561.8	1764.9	5.27	7.76	15.40	2.74	970.97
FT-SE-A 350 Lower Yield	1454.9	-0.9	1468.5	1484.3	1496.8	1707.1	3.15	6.78	17.27	1.17	959.77
FT-SE SmallCap	1714.10	-0.9	1729.64	1737.75	1740.18	2025.65	3.38	6.42	19.60	1.99	1341.32
FT-SE SmallCap ex Inv Trusts	1700.21	-0.6	1710.68	1716.35	1717.67	1991.98	3.56	7.16	17.78	2.12	1335.06
FT-SE-A ALL-SHARE	1469.23	-1.3	1488.38	1503.00	1513.65	1742.31	4.15	7.21	16.50	1.91	1168.83

■ FT-SE Actuaries All-Share

	Jan 23	Day's chge%	Jan 20	Jan 19	Jan 18	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(25)	2602.83	-1.0	2630.26	2659.31	2666.54	2659.61	3.62	5.21	24.29	0.00	1050.81
12 Extractive Industries(7)	3478.97	-1.3	3525.38	3575.27	3602.96	4009.13	3.48	5.80	22.10	0.00	960.00
15 Oil, Integrated(3)	2600.19	-0.9	2624.71	2654.60	2661.25	2576.92	3.74	5.78	21.56	0.00	1073.77
16 Oil Exploration & Prod(15)	1857.13	-1.5	1886.24	1888.44	1877.40	1877.28	2.63	‡	‡	0.00	1074.50
20 GEN INDUSTRIALS(279)	1790.05	-1.4	1816.01	1832.77	1847.24	2176.65	4.35	5.95	20.10	1.12	921.31
21 Building & Construction(38)	947.03	-0.7	953.84	960.10	965.31	1494.94	4.10	6.45	20.29	0.00	747.76
22 Building Matls & Merchs(32)	1688.17	-1.9	1720.52	1738.40	1751.30	2393.22	4.43	6.43	18.74	0.20	803.53
23 Chemicals(23)	2223.93	-1.4	2255.05	2276.34	2287.45	2445.91	4.25	4.89	25.36	0.50	993.89
24 Diversified Industrials(16)	1756.04	-1.5	1783.27	1790.78	1808.23	2125.56	5.37	6.54	17.65	1.84	910.18
25 Electronic & Elect Equip(36)	1827.19	-1.1	1847.97	1883.50	1906.08	2193.29	4.15	6.99	17.02	1.48	903.59
26 Engineering(72)	1726.42	-1.4	1751.66	1767.02	1777.47	1938.53	3.50	5.67	20.70	2.12	996.38
27 Engineering, Vehicles(13)	2016.97	-1.6	2049.71	2098.08	2122.97	2419.24	4.96	1.70	80.00†	0.18	987.42
28 Paper, Pckg & Printing(26)	2737.63	-1.1	2766.76	2786.00	2805.41	2955.67	3.21	5.88	19.70	0.00	1083.81
29 Textiles & Apparel(21)	1489.98	-1.5	1513.38	1513.38	1516.76	1992.49	4.64	6.58	19.74	0.17	853.17
30 CONSUMER GOODS(95)	2747.01	+0.1	2745.11	2764.26	2792.39	3048.76	4.39	7.39	15.73	7.20	957.13
31 Breweries(18)	2168.86	-1.1	2192.97	2193.64	2208.68	2455.25	4.41	8.24	14.64	10.38	982.90
32 Spirits, Wines & Ciders(10)	2491.71	-2.0	2542.34	2547.97	2574.88	3225.93	4.58	7.64	15.12	26.30	850.78
33 Food Producers(24)	2249.13	-1.0	2272.53	2290.99	2309.96	2582.95	4.35	7.83	15.16	3.92	958.54
34 Household Goods(10)	2403.33	-0.6	2417.31	2425.17	2437.40	2770.26	3.70	7.50	16.05	0.45	870.82
36 Health Care(18)	1560.32	-0.3	1564.69	1567.02	1567.12	1695.39	3.20	3.54	39.27	0.58	911.54
37 Pharmaceuticals(13)	3330.42	+2.7	3243.74	3281.95	3321.00	3183.23	4.04	6.41	18.04	0.00	1068.36
38 Tobacco(2)	3610.04	-2.1	3686.53	3706.12	3760.23	4416.85	6.96	10.09	10.82	0.00	823.48
40 SERVICES(231)	1816.80	-1.5	1845.30	1860.82	1873.87	2190.86	3.46	7.41	16.29	2.46	901.63
41 Distributors(32)	2434.03	-0.9	2455.81	2479.62	2488.88	3263.02	3.84	12.77	9.48	1.53	851.06
42 Leisure & Hotels(29)	2033.71	-1.6	2067.22	2079.98	2090.55	2337.70	3.54	5.83	20.25	7.08	1011.86
43 Media(43)	2626.32	-1.5	2655.40	2692.83	2711.86	3170.35	2.68	5.92	19.75	1.76	915.05
44 Retailers, Food(16)	1755.24	-1.0	1773.42	1778.88	1786.23	1832.09	3.75	9.08	13.51	1.85	1060.40
45 Retailers, General(45)	1499.39	-1.5	1521.85	1535.62	1548.61	1872.45	3.57	7.75	15.99	1.81	817.02
48 Support Services(38)	1455.14	-1.6	1478.66	1492.07	1501.70	1849.16	2.86	6.59	17.87	0.30	891.38
49 Transport(21)	2116.44	-2.6	2173.24	2200.56	2226.39	2735.01	4.02	6.90	17.07	3.32	837.21
51 Other Services & Business(7)	1213.41	-0.1	1214.16	1215.88	1221.56	1327.09	3.68	3.73	36.57	2.62	1055.05
60 UTILITIES(37)	2331.71	-1.4	2364.88	2388.78	2399.07	2677.68	4.60	7.99	15.25	6.08	918.41
62 Electricity(17)	2467.23	-0.7	2483.68	2473.10	2489.41	2520.88	3.95	10.25	11.64	17.55	1054.83
64 Gas Distribution(2)	2007.60	-1.3	2033.81	2063.71	2064.46	2273.58	5.97	‡	‡	0.00	942.95
66 Telecommunications(5)	1930.58	-2.2	1973.71	2011.36	2015.41	2389.55	4.29	7.75	15.78	0.00	837.87
68 Water(13)	1686.15	-0.8	1699.01	1718.26	1737.37	2050.30	5.94	14.24	7.66	4.62	869.79
69 NON-FINANCIALS(667)	1600.89	-1.1	1618.04	1632.37	1643.84	1849.97	4.11	6.90	17.37	2.46	1145.17
70 FINANCIALS(116)	2010.15	-2.3	2055.62	2085.47	2103.59	2693.45	4.81	10.04	11.68	0.25	802.88
71 Banks, Retail(9)	2582.93	-3.0	2662.35	2707.86	2742.53	3514.16	4.74	11.08	10.33	0.00	777.84
72 Banks, Merchant(6)	2981.55	-1.0	3010.23	3039.65	3035.88	3848.46	3.73	9.36	12.47	0.00	905.56
73 Insurance(27)	1106.51	-2.2	1131.85	1149.34	1161.98	1593.51	5.65	10.65	10.71	0.27	765.28
74 Life Assurance(6)	2304.59	-1.2	2333.27	2358.17	2375.38	2801.66	5.55	8.08	15.09	0.00	891.90
77 Other Financial(23)	1860.20	-0.9	1877.28	1886.89	1892.43	2183.20	4.01	7.85	15.80	1.48	1005.73
79 Property(46)	1341.86	-1.1	1357.19	1367.98	1366.35	1841.06	4.48	7.93	15.78	0.42	778.84
80 INVESTMENT TRUSTS(133)	2525.30	-2.2	2582.82	2617.78	2631.80	3087.12	2.47	2.11	47.33	2.31	853.97
89 FT-SE-A ALL-SHARE(919)	1469.23	-1.3	1488.38	1503.00	1513.85	1742.31	4.15	7.21	16.50	1.91	1168.83
FT-SE-A Fledgling	989.54	-0.6	995.13	997.82	999.37	-	2.89	-	-	1.35	990.86
FT-SE-A Fledgling ex Inv Trusts	994.50	-0.4	998.13	1000.25	1001.74	-	3.04	-	-	1.50	996.00

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2968.8	2983.0	2969.9	2976.9	2984.1	2966.9	2957.2	2950.7	2952.4	2992.0	2949.4
FT-SE Mid 250	3395.0	3397.6	3392.9	3396.0	3391.2	3391.0	3388.2	3383.8	3383.5	3398.7	3383.2
FT-SE-A 350	1489.1	1494.9	1489.3	1492.3	1486.9	1488.0	1484.0	1481.0	1481.6	1496.4	1480.5

Time of FT-SE 100 Day's high: 8.47am Day's low: 2.51pm. FT-SE 100 1994 High: 3520.3(2/2/94) Low: 2876.6(24/6/94).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrn	889.9	890.8	889.7	889.7	888.7	887.7	888.9	888.7	888.7	886.7	893.8	-7.1
Pharmaceuticals	3195.5	3338.0	3302.6	3326.8	3300.0	3316.5	3305.2	3304.9	3289.8	3302.4	3215.9	+86.5
Water	1682.5	1685.2	1685.0	1689.5	1685.7	1685.7	1685.9	1684.9	1680.5	1680.5	1693.8	-13.3
Banks, Retail	2644.9	2640.8	2638.2	2647.2	2633.1	2635.3	2628.3	2619.7	2616.2	2615.9	2696.3	-80.4

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. [illegible] The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

Stock	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 23 / Sch)

BELGIUM/LUXEMBOURG (Jan 23 / Frs.)

CZECH REP (Jan 20 / Koruna)

DENMARK (Jan 23 / Kr)

FINLAND (Jan 23 / Mkk)

FRANCE (Jan 23 / Frs.)

GERMANY (Jan 23 / Dm.)

GREECE (Jan 23 / Drachma)

ITALY (Jan 23 / Lire)

NETHERLANDS (Jan 23 / Fls.)

NORWAY (Jan 23 / Kroner)

POLAND (Jan 20 / Zloty)

PORTUGAL (Jan 23 / Escudo)

SPAIN (Jan 23 / Pts.)

SWEDEN (Jan 23 / Kronor)

SWITZERLAND (Jan 23 / Frs.)

TURKEY (Jan 23 / TK Lira)

PACIFIC

JAPAN (Jan 23 / Yen)

HONG KONG (Jan 23 / H.K.$)

INDONESIA (Jan 23 / Rupiah)

MALAYSIA (Jan 23 / MYR)

NEW ZEALAND (Jan 23 / NZ $)

SINGAPORE (Jan 23 / S$)

AUSTRALIA (Jan 23 / Aust$)

SOUTH KOREA (Jan 23 / Won)

TAIWAN (Jan 23 / TW $)

THAILAND (Jan 23 / Baht)

AFRICA

SOUTH AFRICA (Jan 23 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jan 23 / Can $) 4 pm close

MONTREAL (Jan 23 / Can $) 4 pm close

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. x Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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INDICES

	Jan 23	Jan 20	Jan 19	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	(u)	15155.78	15181.00	25470.40	16/2/94	13836.46	10/1/95
Australia							
All Ordinaries(1/1/80)	1867.8	1878.4	1894.4	2340.60	3/2/94	1842.00	12/12/94
All Mining(1/1/80)	885.0	896.5	903.8	1136.10	3/2/94	875.80	10/1/95
Austria							
Credit Aktien(30/12/84)	366.09	369.03	377.94	489.86	2/2/94	366.09	23/1/95
Traded Index(2/1/91)	978.98	985.24	1007.55	1222.25	1/2/94	978.98	23/1/95
Belgium							
BEL20 (1/1/91)	1347.36	1359.64	1363.37	1542.65	9/2/94	1336.38	7/10/94
Brazil							
Bovespa (29/12/83)	(u)	38623.0	38094.0	55110.00	13/9/94	3800.80	3/1/94
Canada							
Metals Minls♦(1975)	(u)	4194.46	4261.52	4326.07	19/1/95	3289.08	20/4/94
Composite♦ (1975)	(u)	4098.80	4141.80	4609.00	23/3/94	3858.59	24/6/94
Portfolio§§ (4/1/83)	(u)	1995.37	2011.80	2182.89	1/2/94	1888.48	28/6/94
Chile							
IPGA Gen (31/12/80)	(u)	5406.1	5382.7	5784.40	21/11/94	3801.20	4/4/94
Denmark							
CopenhagenSE(3/1/83)	342.48	347.80	348.69	415.78	2/2/94	335.88	20/12/94
Finland							
HEX General(28/12/90)	1822.6	1862.4	1873.2	1872.00	4/2/94	1601.10	3/1/94
France							
SBF 250 (31/12/90)	1178.82	1202.37	1216.78	1585.20	2/2/94	1178.82	23/1/95
CAC 40(31/12/87)	1772.84	1813.33	1837.11	2355.93	2/2/94	1772.84	23/1/95
Germany							
FAZ Aktien(31/12/58)	762.04	771.25	780.74	858.27	18/5/94	742.04	5/10/94
Commerzbank(1/12/53)	2168.0	2194.5	2223.2	2465.50	2/5/94	2116.30	5/10/94
DAX (30/12/87)‡	2026.83	2055.58†	2089.36	2271.11	16/5/94	1980.59	7/10/94
Greece							
Athens SE(31/12/80)	829.42	828.15	821.65	1194.58	18/1/94	804.37	22/11/94
Hong Kong							
Hang Seng(31/7/64)	6967.93	7278.10	7422.00	12201.09	4/1/94	6967.93	23/1/95
India							
BSE Sens.(1979)	3483.93	3600.53	3658.06	4628.57	12/9/94	3454.00	5/1/94
Indonesia							
Jakarta Comp.(10/8/82)	436.16	446.06	451.79	612.89	5/1/94	436.16	23/1/95
Ireland							
ISEQ Overall(4/1/88)	1813.59	1841.91	1852.19	2062.16	20/1/94	1694.14	1/7/94
Italy							
Banca Comm Ital (1972)	579.28	571.43	572.14†	817.17	10/5/94	581.84	13/12/94
MIB General (2/1/95)	1074.0	1081.0	1082.0	1674.80	23/1/95	979.00	10/1/95
Japan							
Nikkei 225 (16/5/49)	17785.49	18840.22	19076.74	21552.81	13/6/94	17369.74	4/1/94
Nikkei 300 (1/10/82)	254.80	267.89	272.61	311.71	13/6/94	254.80	23/1/95
Topix (4/1/68)	1390.88	1459.40	1483.51	1712.73	13/6/94	1390.88	23/1/95
2nd Section (4/1/68)	1912.59	1993.20	2019.78	2542.65	6/7/94	1873.33	4/1/94
Malaysia							
KLSE Comp.(4/4/86)	850.10	885.13	901.72	1314.46	5/1/94	850.10	23/1/95
Mexico							
IPC (Nov 1978)	(u)	2065.85	2051.89	2881.17	8/2/94	1957.33	20/4/94
Netherland							
CBS TtRtnGen(End 83)	434.7	438.3	441.1	454.90	31/1/94	408.30	21/6/94
CBS All Shr (End 83)	272.7	275.0	276.8	294.80	31/1/94	257.90	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1947.81	1957.44	1979.76	2439.64	3/2/94	1878.09	13/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1094.90	1109.41	1117.80	1211.10	28/2/94	980.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2421.43	2462.85	2554.38	3308.37	4/1/94	2421.43	23/1/95
Portugal							
BTA (1977)	2783.9	2804.0	2828.0	3226.80	18/2/94	2612.80	20/6/94
Singapore							
SES All-S'pore(2/4/75)	472.80	495.09	505.07	641.81	4/1/94	472.80	23/1/95
South Africa							
JSE Gold (28/9/78)	1787.6♥	1772.4	1767.2	2534.00	7/9/94	1749.00	14/2/94
JSE Ind. (28/9/78)	6449.5♥	6563.7	6574.0	6984.40	30/12/94	5446.00	19/1/94
South Korea							
KoreaCmpEx(4/1/80)¨	935.38	973.06	974.90	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	275.95	280.96	283.19	368.31	31/1/94	275.35	11/1/95
Sweden							
AffarsvardnGen (1/2/37)	1497.50	1517.8	1523.3	1603.90	31/1/94	1334.70	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1204.08	1226.29	1233.86	1423.34	31/1/94	1139.72	27/10/94
SBC General (1/4/87)	893.28	909.38	915.86	1098.29	31/1/94	878.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)¨	6295.04	6372.01	6598.02	7191.13	30/9/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1191.26	1251.72	1283.35	1753.73	4/1/94	1191.26	23/1/95
Turkey							
Istanbul Cmp.(Jan 1986)	24844.3	25519.8	25810.3	29145.10	2/12/94	12880.70	24/3/94
WORLD							
MS Capital Int (1/1/70)$	593.8*	607.9	611.0	649.90	2/11/94	591.60	4/4/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1291.82	1313.82	1323.84	1540.19	31/1/94	1288.48	5/10/94
Euro Top-100 (26/6/90)	1145.61	1160.75	1171.25	1311.01	2/2/94	1136.48	5/10/94
JCapelDrgns (31/12/88)	(u)	272.15	277.64	395.19	5/1/94	271.76	18/1/95
Barings Emerg.(7/1/92)	(u)	140.79	146.41	191.79	26/9/94	137.81	11/1/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40							
Jan	1777.0	1777.0	+2.00	1780.0	1775.0	1,588	22,677
Feb	1787.5	1785.5	+2.00	1787.5	1787.5	20	4,196
■ DAX							
Mar	2040.0	2019.5	-56.0	2048.5	2015.5	23,154	N/A
Jun	2080.5	2039.5	-55.5	2068.0	2038.5	187	N/A
■ OMX							
Jan	1163.00	1144.00	-15.0	1163.00	1139.00	9,152	18,393
Feb	1155.50	1150.00	-17.5	1160.25	1145.50	3,844	4,319
■ SOFFEX							
Feb	2562.0	2529.0	-49.0	2562.0	2527.0	7,130	15,143
Mar	2570.0	2535.0	-41.0	2570.0	2549.0	16	410
■ S&P 500							
Mar	468.60	467.30	-1.30	468.65	466.00	68,347	200,766
Jun	-	471.25	-1.40	472.30	470.15	433	10,022
■ Nikkei 225							
Mar	18880.0	17950.0	-1000	18920.0	17950.0	66,531	123,753
Jun	18900.0	17960.0	-1000	18910.0	17960.0	2,384	5,779

Open interest figures for previous day.

¨ Sat Jan 21: Taiwan Weighted Price 6431.96; Korea Comp Ex 955.11. Base values of all Indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 23 - 2013.03 -37.83

† Correction. * Calculated at 15.00 GMT ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Jan 20	Jan 19	Jan 18	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3869.43	3882.21	3928.98	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.83	94.83	94.86	105.61 (21/1/94)	93.56 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1522.10	1544.46	1552.61	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	188.16	188.53	187.65	227.88 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3898.70 (3928.99) Low 3826.70 (3866.74) (Theoretical♠)
Day's high 3896.01 (3926.98) Low 3842.85 (3878.51) (Actual♠)

Standard and Poors	Jan 20	Jan 19	Jan 18	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	464.78	466.95	469.72	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	552.23	556.10	558.02	563.10 (26/10/94)	510.05 (21/4/94)	563.10 (26/10/94)	3.62 (21/6/32)
Financial	42.33	42.59	43.16	46.94 (14/6/94)	39.87 (22/11/94)	48.48 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	253.38	254.38	255.97	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	437.64	439.53	439.97	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	762.05	768.55	772.38	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jan 20	Jan 13	Jan 6	Year ago
Dow Jones Ind. Div. Yield	2.77	2.73	2.76	2.59
	Jan 18	Jan 11	Jan 4	Year ago
S & P Ind. Div. yield	2.40	2.44	2.45	2.35
S & P Ind. P/E ratio	19.06	18.76	18.71	28.07

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Nabisco Hld	16,692,400	26⅛	+2¾
Telefonos	8,539,300	35	+½
Ford Motor	7,428,400	26⅛	–1¼
RJR Nabisco	5,180,800	5¾	+⅛
Chrysler	4,885,600	47⅛	–2⅛
Wal Mart	4,445,800	21¼	+⅛
Santa Fe	3,974,000	18⅛	–⅛
EMC Corp	3,754,800	20	–1
Gen Motors	3,750,700	39½	–¾
Gen Elec	3,714,100	51	—

■ TRADING ACTIVITY

● Volume (million)	Jan 20	Jan 19	Jan 18
New York SE	375.338	297.757	344.567
Amex	13.927	17.035	13.989
NASDAQ	318.205	304.533	319.730
NYSE			
Issues Traded	2,941	2,950	2,945
Rises	740	732	1,064
Falls	1,465	1,414	1,157
Unchanged	736	804	724
New Highs	25	37	56
New Lows	51	37	27

■ TOKYO - MOST ACTIVE STOCKS: Monday, January 23, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	7.6m	332	-10	Sumitomo Mtl Ind	5.2m	291	+1
Nikko Sec	7.3m	917	-77	Fudo Const	5.1m	732	+29
Mitsubishi Hvy	7.2m	641	-26	Sakai Ovex	5.0m	885	-45
Sumitomo Const	6.2m	500	+2	Daiwa Sec	4.8m	1,080	-50
Toshiba Corp	5.5m	605	-33	Taisei Corp	4.6m	631	-12

4 pm close January 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close
17 7/8	11 7/8	AAR	0.48	3.5	25	266	13 7/8	13 5/8	13 7/8	+1/4
21 7/8	12 5/8	A L Labs A	0.18	0.9	47	308	21	21	21	
78 1/2	57 5/8	AMP	1.68	2.4	22	1675	72 1/8	71	71 3/8	-1 1/8
72 3/4	48 1/8	AMR			25	5737	58 1/2	56 7/8	58	+3/8
56 1/8	38 5/8	ASA	2.00	4.5	29	612	45 1/8	44 3/4	44 7/8	-5/8
33 7/8	25 3/8	AbbotL	0.76	2.3	17	10334	33	32	32 7/8	+5/8
15 3/4	11 3/8	Abitibi Pr	0.50	3.7	12	196	13 1/2	13 3/8	13 1/2	
23 7/8	17 3/4	ABM Ind	0.60	2.6	13	72	22 7/8	22 1/2	22 7/8	+1/8
18	11 1/8	Acptncetn			12	712	16 1/4	15 5/8	16 1/4	+1/4
31	20 3/4	ACE Ltd	0.44	2.0	23	121	22 3/8	22 1/8	22 3/8	+1/8
12 1/2	9	ACM Gvt In x	1.09	11.8	8	748	9 1/2	9 1/4	9 1/4	-1/8
10 1/8	6 7/8	ACM GvOpp	0.80	10.8		36	7 3/8	7 1/4	7 3/8	
10 5/8	6 1/4	ACM Gvt Sp x	0.96	13.5		449	7 1/4	7 1/8	7 1/8	-1/8
12	7 5/8	ACM Gvt Se x	1.09	13.1		1022	8 1/2	8 1/4	8 3/8	-1/8
11 3/4	7 3/8	ACM Man x	1.08	13.1		230	8 1/2	8 1/4	8 1/4	-1/8
9 1/4	7 1/4	ACM Managd x	0.72	9.6		170	7 1/2	7 3/8	7 1/2	
15 1/2	8 3/4	AcmeClv	0.44	3.1	29	2135	14	12 1/2	14	+1 3/8
19 7/8	6 1/2	Acme Elect			18	149	17 1/4	17 1/4	17 1/2	-1/8
33 1/2	23	Acordia	0.60	1.9	18	62	32 3/8	32	32 1/8	-1/8
13 3/4	5 3/4	Actava	0.36	4.1	2	106	8 7/8	8 5/8	8 3/4	
18 3/8	11 1/4	Acuson			25	492	15 3/4	15 3/8	15 1/2	-1/4
18 3/8	15 1/2	Adams Expr	0.38	2.3	0	135	16 1/8	15 7/8	15 7/8	-1/4
64 1/2	46 1/2	Ad Micro	3.00	4.8		40	62 3/8	61	62	-1 1/8
32 1/4	16 3/4	AdvMic	3.00	9.8	9	9626	30 7/8	30 3/8	30 3/4	-5/8
6 7/8	5	Advest Grp	0.16	3.0	15	203	5 3/8	5 1/4	5 1/4	
20	15	Advo Inc	0.10	0.6	14	100	17 3/4	17 1/2	17 3/4	
68 1/8	49 3/8	Aegon ADR	1.47	2.3	12	13	64 1/2	64 3/8	64 1/2	-1/2
5	3 1/4	Aerflx			6	68	3 3/8	3 1/4	3 3/8	-1/8
65 3/4	42 1/4	AetnaL	2.76	5.7	6	2685	48 7/8	48 1/4	48 3/4	-1
36 1/8	25 1/4	Aflac	0.46	1.4	12	1784	33	32 1/4	33	-1/4
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4 pm close January 23

NYSE COMPOSITE PRICES

Continued from previous page

1994/95 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35⅛	30⅛	SFePPipe	2.80	8.1	8	69	35	34¾	34¾	-⅛
26¼	12⅛	SanFeP	0.10	0.6	17	17036	18⅛	17⅞	18	-⅛
26⅛	19⅜	SaraLee	0.68	2.8	53	2406	24¾	24½	24½	-¼
50⅛	41	Scana Corp	2.82	6.5	12	235	43½	43⅜	43½	
20½	12½	Scecorp	1.00	6.5	9	7745	15⅝	15⅜	15⅜	-¼
45½	31¾	ScheringP			28	335	43¾	42⅞	42⅞	-⅞
75⅞	54½	SchrPl	2.04	2.7	15	3651	74½	72⅞	74¼	+⅝
63	50	Schlmb	1.20	2.3	25	5813	53¾	52½	53	-½
39⅝	23¾	Schwab(C)	0.36	1.0	15	3463	37	35¼	37	+⅞
10¾	6⅛	Schweitzer			8	11	8½	8½	8½	+⅛
22¾	12½	SciAtl	0.06	0.3	34	3871	19⅛	18¼	18⅜	-1¼
18¼	13	Scotman	0.10	0.6	13	58	17⅝	17¼	17⅝	+⅜
74½	37¼	ScottP	0.80	1.1	22	1844	71⅝	70⅝	70⅞	-⅝
31	23	Scripps	0.44	1.6	12	464	28¼	27⅛	27⅛	-1⅛
28⅝	17⅛	ScuddrNAsF x	0.02	0.1		233	18⅞	d16⅞	16⅞	-1
12⅝	8¾	ScuddrNEuF	0.16	1.8		309	9	8⅞	8⅞	-⅛
18¼	12	SeaCnB	0.70	5.0	8	5	14	14	14	
18½	14¼	SeaC7.4625	1.46	8.6		8	15¾	15¼	15¼	
28	22⅞	S'gate			7	3805	26¼	25⅞	26	-⅛
32⅝	26¼	Seagrm	0.60	2.0	14	1808	29⅞	29⅝	29¾	-⅛
28¾	17⅛	Seagull En			29	387	17⅝	17⅜	17½	+⅛
40¼	28⅝	Sealed Air			23	361	h40½	40	40	+⅛
55⅛	42⅛	SearsR	1.60	3.5	13	13854	45⅝	44⅞	45¼	+⅛
13¾	9¾	Seligm Sel	0.84	7.1		47	11¾	11⅝	11¾	+⅛
39¼	26	Sensormat	0.22	0.7	25	5894	32⅞	30⅞	31⅛	-1¼
39¾	17⅝	SequaA	0.60	2.6	8	90	23	22¼	23	+½
40¼	21	SequaB	0.50	2.1	12	50	23¾	23	23¾	+¾
28½	22½	SercGp	0.42	1.5	19	1472	28	27⅝	28	

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Price data supplied by Telekurs

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AMEX COMPOSITE PRICES

4 pm close January 23

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NASDAQ NATIONAL MARKET

4 pm close January 23

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FINANCIAL TIMES Tuesday January 24 1995

AMERICA

Dow takes its cue from Tokyo stocks

Wall Street

The sell-off on Japan's Nikkei index and continued worries about another interest rate increase helped to push down a jittery US market yesterday morning, *writes Lisa Bransten in New York.*

By 1 pm, the Dow Jones Industrial Average was down 23.89 at 3,845.52. The Standard & Poor's 500 lost 2.13 at 462.65 and the American Stock Exchange composite fell 2.21 to 435.43. The Nasdaq composite dropped 6.54 to 755.51. Trading volume on the NYSE came to 184m shares.

Investors took their cues yesterday morning from the Japanese market, which lost 5.6 per cent in Monday trading. That only added to continuing fears that the Federal Reserve will tighten monetary policy further at the January 31 meeting of its open market committee.

On Friday the Dow was down as much as 50 points during the day before it rebounded *to close only 12.78 down at* 3,869.43.

Several oil companies beat the falling market yesterday as quarterly earnings reports came in above analysts' expectations. Exxon was up $⅝ at $63⅜, Amoco rose $⅝ at $59⅛ and Texaco climbed $⅜ at $62⅞. Mobil, which reported its earnings last week, added to Friday's gains, rising $⅝ at $85⅞.

Shares in Dr Pepper/Seven-Up Companies jumped more than 6 per cent, up $1⅞ at $31¼, amid reports emerging over the weekend that Cadbury Schweppes of the UK would buy the US soft drink company for about $33 a share.

IBM fell $1⅞ at $73⅜ in spite of reporting better-than-expected quarterly earnings. Tech*nology shares mostly fell with* the declining market. Motorola was down $1 at $60⅝, Hewlett-Packard off $1⅞ at $103⅛, Advanced Micro Devices shed $⅜ at $30⅝ and Texas Instruments lost $1⅜ at $72¼.

Stratus Computer lost nearly 27 per cent of its value, plunging $10¼ at $28¾ in spite of reporting net earnings for the fourth quarter of last year, after a loss the year before. Two securities houses downgraded their recommendations on the stock after the technology group said that it expected 1995 revenue growth to be flat, or below last year's levels.

Merrill Lynch, which dropped $⅝ at $35¾, also reported earnings below expectations. Shares in the securities house were off nearly 2 per cent.

Canada

Toronto extended last Friday's significant declines, the TSE 300 composite index falling another 61.0 to 4,037.90 in a sell-off sparked by interest rate fears and concern over Canada's financial problems.

All 14 sector indices posted losses, led by golds, media, transport and conglomerates. Volume was 26.67m shares valued at C$359m.

Brazil declines 4.1%

SAO PAULO fell 4.1 per cent in light midday trade on lingering concerns about whether President Bill Clinton would succeed in convincing Congress to approve the US aid package for Mexico.

The Bovespa index was off 1,574 at 37,049 at 1300 local time, in low turnover of R$79.3m ($93.1m).

Telebras preferred plunged 6.0 per cent to R$29.70, while Petrobras preferred gave up 5.5 per cent to R$86.

MEXICO remained concerned about developments in the US Congress, while the market was also dragged lower by a cabinet reshuffle in which President Ernesto Zedillo named new ministers for agriculture, agrarian reform and education.

The 37-share IPC index dropped 50.28 or 2.4 per cent to *2,015.57 in early trade, near to* support at the 2,000 level.

Telmex L shares dropped 1.6 per cent and its A shares slid 0.6 per cent.

The BUENOS AIRES blue chip Merval index dropped 9.29 or 2.2 per cent to 427.11 in early trade on continued fears of a lack of American resolve to help Mexico and expectations of higher US interest rates.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	-3.66	-5.75	-20.18	-17.28	-11.88	-5.29
Belgium	-0.06	-2.49	-11.36	-10.38	-3.11	+4.13
Denmark	-1.44	-0.48	-17.12	-10.46	-4.88	+2.23
Finland	-1.24	+3.94	+8.16	+25.68	+45.13	+55.97
France	-2.12	-5.98	-19.47	-18.89	-14.68	-8.31
Germany	-0.29	-2.25	-5.72	-11.40	-5.12	+1.98
Ireland	-1.75	-0.43	-7.99	+0.66	+4.72	+12.55
Italy	+5.39	+6.72	+12.17	+10.46	+10.55	+18.81
Netherlands	-0.62	-1.05	-6.08	-3.97	+2.58	+10.24
Norway	-0.61	-3.10	-5.42	+2.56	+8.69	+16.81
Spain	+0.76	-4.83	-17.84	-14.51	-13.38	-6.90
Sweden	+0.07	+2.85	+0.29	+8.13	+13.16	+21.62
Switzerland	-0.78	-2.76	-14.07	-11.13	-3.20	+4.05
UK	-1.65	-2.73	-14.35	-12.15	-12.15	-5.58
EUROPE	-0.79	-2.24	-11.56	-10.30	-7.04	-0.06
Australia	+1.09	-1.90	-14.64	-11.38	-6.59	+0.39
Hong Kong	+0.57	-12.33	-37.19	-40.77	-44.93	-40.82
Japan	-3.73	-6.03	-6.21	+0.60	+5.34	+13.21
Malaysia	-1.98	-13.04	-17.50	-32.15	-33.35	-28.36
New Zealand	+2.35	+2.67	-10.31	-6.25	+0.10	+7.58
Singapore	-2.80	-12.21	-10.28	-18.55	-15.65	-9.34
Canada	-0.66	-1.96	-6.40	-1.32	-14.71	-8.34
USA	-0.25	+1.11	-1.45	+0.16	-6.80	+0.16
Mexico	-5.25	-6.67	-16.36	-16.02	-57.38	-54.20
South Africa	-5.40	-7.98	+10.02	+8.87	+5.10	+12.95
WORLD INDEX	-1.53	-2.73	-7.15	-4.73	-5.75	+1.30

† Based on January 20, 1995.

EUROPE

Whiff of panic as bourses follow Asia, US down

The plunge in Japanese and other Far Eastern stock markets yesterday, added to last week's equity weakness and the assumed direction of interest rates, left bourses with only one way to go, *writes Our Markets Staff.*

There was a whiff of panic, said Mr John Blackley at James Capel. Investors were worried that Japanese investors will pull money back from abroad to repair the domestic economy.

European equity markets had been trying to go better *since the start of this year,* said Mr Blackley, but there had been no strength in any upward movement that they had achieved. Renewed losses *in US shares and treasuries* yesterday afternoon put the finishing touches to a miserable day.

FRANKFURT, shaken by last Friday's Merrill Lynch downgrade of Daimler, saw its deepest share price losses in the automotive and the engineering sectors as the Dax index declined 28.75 to 2,026.83 on the session.

Bunds saw pronounced weakness in the afternoon and the Ibis-indicated Dax accelerated its decline to end 37.83 or 1.8 per cent lower at 2,013.03 in the post bourse.

Turnover eased from DM6.6bn to DM6.5bn. Daimler was down another DM16.50 to DM706 for a two-day decline of 5.8 per cent. It was joined most *obviously by BMW and MAN* in the automotive sector, with falls of DM19 to DM736 and DM11.60 to DM402.90 respectively; and by a sheaf of engineering and metal stocks, with Deutsche Babcock, down DM7.30 at DM185.20, and Preussag, off DM14 at DM443.50, among the most prominent.

PARIS was full of corporate stories, but some of these may have helped the CAC 40 index drop 40.49 or 2.2 per cent to 1,772.84, *its lowest level for* nearly two years.

Financials, oils, consumer stocks and groups touched by scandal led the market down. In financials, Suez dropped FFr11.60 to FFr230.10: following its chairman's forecast of a "very modest" profit for 1994, blaming property problems and the subsequently sold Victoire insurance operations, James Capel cut its 1994 net profits forecast from FFr1.5bn to FFr515m.

FT-SE Actuaries Share Indices

Jan 23 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1301.66	1301.77	1301.49	1299.25	1298.02	1293.08	1291.82	1291.82
FT-SE Eurotrack 200	1354.52	1355.53	1355.82	1352.14	1351.38	1347.46	1345.59	1348.49

	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16
FT-SE Eurotrack 100	1313.82	1323.84	1327.01	1329.65	1332.54
FT-SE Eurotrack 200	1368.16	1379.91	1384.86	1385.53	1389.97

Base 1000 (26/10/90). High/day: 100 - 1303.46, 200 - 1358.28 Low/day: 100 - 1291.17 200 - 1344.74 † Partial

In oils, indications of a slight increase in income from sources close to Elf Aquitaine, ahead of Thursday's results, left the shares FFr8.30 lower at FFr360, and Total dropped FFr9.70 to FFr287.

Elsewhere, Schneider denied that Skanska, of Sweden, was to take an important stake in *its 60 per cent owned construc*tion subsidiary Spie Batignolles; that left Schneider FFr11 lower at FFr355.30, and Batignolles a weighty FFr26 or 10.5 per cent off at FFr222.

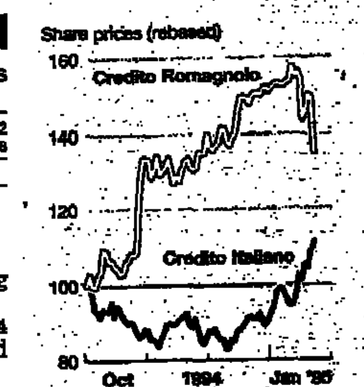
ZURICH extended its losses during the day as the weak dollar and outlook for higher interest rates added to the pressure. The SMI index fell 49.3 or 1.9 per cent to 2,525.3.

Financials were weak, mostly in line with the market, although the insurer Winterthur lost 4.1 per cent, falling SFr27 to SFr625.

Nestlé, which reports 1994 sales later this week, dipped SFr27 to SFr1,171.

Roche certificates fell SFr125 to SFr6,270 and Ciba was marked SFr15 lower to SFr768, amid market suggestions that they might become rival bid*ders for Wellcome. However,* Mr Claudio Werder at Bank Vontobel in Zurich said that while Roche and Ciba had the funds available, Wellcome would fit better with Roche since both were in the field of immunology. "But if Roche was actively interested in Wellcome, it would not have waited to make a move until Glaxo was already knocking on the door," he added.

MILAN was oblivious to developments abroad, preferring to content itself with indications that Mr Lamberto Dini, *the prime minister,* would win parliamentary backing for his new government in tomorrow's confidence vote. The Comit index added to last week's 5.8 per cent rally with a 7.85 or 1.2 per cent rise to 679.28.



Source: FT Graphite

Banks remained active. Credito Romagnolo fell L1,549 or 8.2 per cent to L17,300, after a day's low of L16,965, as investors registered disappointment that the Consob bourse watchdog had ruled out another offer from Cariplo to challenge the latest, improved bid from Credito Italiano.

Italiano gained L38 at L2,060, off a high of L2,105, on resurfacing rumours that it might face a bid from Cariplo. Merrill Lynch downgraded the Italiano stock from a hold to a sell on the view that the rumours were unfounded.

AMSTERDAM pared early losses after the AEX index held technical support at 404. It closed 5.71 lower at 405.05, with Royal Dutch, the sole bright spot, ending 50 cents higher at Fl 186.60 following last Friday's outperformance in a falling US market.

MADRID hit banks the hardest after its recent fixation on electric utilities, Argentaria, BCH and Santander all falling by some 3 per cent as the general index closed 5.01 or 1.8 per cent lower at 275.95. Turnover was just over Pta24bn.

ISTANBUL blamed political uncertainty ahead of a joint congress by two social democratic parties as the composite index fell 875.54 or 3.4 per cent to 24,644.31, following a 3.9 per cent drop last week.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Nikkei falls 5.6% to one-year low as region tumbles

Tokyo

Stocks plunged to a one-year low as the death toll of last Tuesday's devastating earthquake topped 5,000, *writes Robert Patton in Tokyo.*

A drop of 1,054.73 or 5.6 per cent took the Nikkei 225 average to 17,785.49, breaching the crucial 18,000 line for the first time since January 6, 1994 and only slightly above the day's low of 17,778.79, after a high of *18,817.91.*

Declines swamped advances by 1,083 to 40, with 41 issues unchanged. The Topix index of all first-section stocks lost 68.72 or 4.7 per cent at 1,390.68; it had not been below 1,400 since December 8, 1993.

Volume was estimated at *400m shares, after Friday's* 383.8m. The Nikkei 300 plummeted 13.09 or 4.9 per cent to 254.80. In London the ISE/Nikkei 50 index eased 1.49 to 1,141.68.

Foreign sellers of index shares triggered the slide in the market. Until recently, foreigners had been an important source of support but yesterday it was reported that they were selling in response to growing fears that the costs of *rebuilding Kobe would weigh* heavily on an economy just beginning to dig itself out from the worst recession in its post-war history.

Some analysts put a positive face on the situation. Mr Yasuo Ueki, Nikko Securities manager of equities operations, called the day's move "excessive . . . an [overreaction] to negative effects of the quake". He felt that once the decline has run its course, the stimula*tive effects of rebuilding would* cause the market to rebound.

However, the Osaka Chamber of Commerce and Industry chairman, Mr Masafumi Onishi, told a press conference that the losses to business due to earthquake damage far outweighed any economic stimulus that the need for rebuilding might provide.

Meanwhile, the yen declined against the dollar, moving with the equity market for once. Brokers attributed the move to foreign sellers of Tokyo stocks shifting proceeds into dollars, lifting the US currency at the expense of the yen.

Construction shares lost much of their speculative appeal. Taisei fell Y12 to Y631, Sato Kogyo Y30 to Y720 and Obayashi Y20 to Y700, but Sumitomo Construction inched up Y2 to *Y500 in volume of* 6.3m shares, the day's fourth highest.

NTT took a massive Y64,000 hit to close at Y766,000, and other privatised companies plunged. East Japan Railway shed Y11,000 to Y466,000 and Japan Tobacco Y18,000 to Y891,000.

Heavy foreign selling also wiped out the gains of high-tech and electronics stocks which had attracted buyers *last week. Matsushita Electric,* which announced plans to join Time Warner and Toshiba in opposing the digital video disk format recently proposed by Sony and Philips, receded Y90 to Y1,400. Toshiba declined Y33 to Y605 and Sony was off Y130 at Y4,910. Some analysts saw, *in this situation, the potential* for a replay of the costly battle of VHS and Betamax systems for video market dominance.

In Osaka the OSE average plummeted 824.30 points to 19,738.1.

Roundup

The region's response to Tokyo's fall was swift and decisive, coming on top of continuing worries about the health of the Chinese leader, Deng Xiaoping, and the outlook for higher interest rates. Investors were also worried that Japanese companies might withdraw money from overseas markets and slow their investment around the region after last week's earthquake.

HONG KONG finished at an 18-month low as the Hang Seng index dropped 310.17 to 6,967.93, which was also its biggest single-day decline since January 3. In subsequent London trading the indicative index fell a further 83 to 6,884.

Some Japanese selling was *noted, while domestic inves*tors were also hesitant ahead of tomorrow's government land auction, which is expected to confirm the recent trend of sinking prices.

Turnover picked up to HK$3.1bn, compared with Friday's HK$2.8bn. The H share index tracking 15 Hong Kong-listed mainland China companies shed 28.59 or 3.1 per cent to 888.77. Banking stocks led the market's fall, with the finance sub-index slipping 5.8 per cent, while property shares gave up 4.2 per cent.

SINGAPORE ended at a 16-month low as the market was *hit by a tide of selling* from Japanese institutions and Hong Kong-based funds. The Straits Times Industrial index lost 111.67 at 1,916.94.

BANGKOK was lower on selling led by institutional investors which caused retail investors to follow suit. The SET index ended 60.46 down at 1,191.26, having recovered from a low of 1,179.30.

KUALA LUMPUR saw a wave of forced selling and for*eign redemptions, particularly* by Hong Kong funds, which left the composite index 35.03 lower at 850.10.

TAIPEI encountered waves of late selling which took the weighted index down 136.95 to 6,295.04 in T$47.2bn turnover.

SEOUL fell broadly as fears over tightening liquidity triggered hefty selling. The composite index relinquished 19.73 to 935.38, its lowest level since the end of August last year.

SHANGHAI's B shares closed sharply lower in heavy volume after Japanese investors withdrew from the market in the wake of last week's earthquake. The B index of shares available to foreigners lost 1.19 at 53.20. The domestic A market also dived at the close on renewed fears about the market's rapid expansion. *The index fell 18.11 to 570.67.*

JAKARTA saw heavy selling which pushed the official index *9.92 lower to 438.16. One broker* suggested that some Japanese insurance companies which needed cash for the Kobe quake disaster were among big sellers.

BOMBAY was unnerved by the combined effect of a payments default crisis and a sharp fall in India's overseas shares. The BSE 30-share index dipped 116.60 to 3,483.93.

Brokers said the recent default by a senior Bombay broker involving around Rs7.6m, and suggestions that at least four other brokers faced defaults, prompted a scramble to raise cash.

MANILA picked up after an early sell-off as investors started short-covering by mid-session after the index had fallen below support at 2,400. The composite index still closed *41.21 down at* 2,421.43 after touching 2,394.74.

THE DAY'S FALLS

	% Change
Singapore	-5.5
Bangkok	-4.8
Hong Kong	-4.3
Kuala Lumpur	-4.0
Shanghai A	-3.2
Bombay	-3.2
Jakarta	-2.2
Shanghai B	-2.2
Seoul	-2.1
Taipei	-2.1
Manila	-1.7
Sydney	-0.9

S Africa industrials under pressure

Johannesburg's industrial shares bore the brunt of the impact from the slide on Asian markets, but gold issues managed to post mild gains in *response to the firmer bullion* price. The overall index finished 69.4 weaker at 5,341, industrials fell 114.2 to 6,449.5 and golds rose 15.2 to 1,787.6.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JANUARY 20 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY JANUARY 19 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	167.52	-0.4	156.20	105.01	131.40	144.90	-0.8	3.98	168.26	158.90	106.01	133.87	146.13	189.15	161.21	179.90
Austria (16)	175.19	-0.8	163.35	109.82	137.41	137.77	-2.0	1.18	176.65	166.83	111.29	140.54	140.55	198.89	167.46	191.58
Belgium (35)	169.37	0.8	157.92	106.17	132.85	129.96	-0.5	4.25	168.03	158.69	105.86	133.68	130.66	177.04	161.53	164.28
Brazil (28)	146.08	0.5	136.21	91.58	114.59	228.17	0.5	0.89	145.33	137.25	91.58	115.62	227.11	-	-	-
Canada (103)	124.46	-1.3	116.05	78.02	97.62	128.47	-0.9	2.69	126.16	119.14	79.48	100.37	129.64	144.70	120.54	144.70
Denmark (33)	252.71	0.8	235.63	158.42	198.22	204.57	-0.6	1.45	250.72	236.78	157.96	199.47	205.74	275.79	236.61	268.52
Finland (24)	192.15	1.0	179.16	120.45	150.71	188.18	-0.5	0.73	190.23	179.66	119.85	151.35	189.14	201.41	133.88	146.91
France (102)	161.34	0.1	150.44	101.14	126.55	132.19	-1.3	3.25	161.23	152.27	101.58	128.28	133.88	185.37	159.34	177.02
Germany (58)	143.02	-0.1	133.35	89.65	112.18	112.18	-1.5	1.85	143.16	135.20	90.20	113.90	113.90	150.40	128.37	131.88
Hong Kong (56)	289.59	-1.8	270.02	181.54	227.15	287.51	-1.9	4.34	294.97	278.57	185.84	234.68	293.10	493.01	287.15	461.56
Ireland (16)	208.45	0.5	194.36	130.67	163.50	186.42	-0.8	3.42	207.43	195.90	130.69	165.03	187.85	216.60	177.56	207.17
Italy (59)	81.49	2.3	75.98	51.08	63.92	96.86	1.0	1.63	79.67	75.24	50.19	63.38	95.91	97.78	67.25	88.19
Japan (484)	147.32	-1.3	137.36	92.35	115.55	92.35	-1.8	0.82	149.19	140.90	93.99	118.70	93.99	170.10	134.69	139.68
Malaysia (97)	423.75	-2.4	395.10	265.64	332.38	416.40	-2.5	2.02	434.06	409.94	273.47	345.34	426.87	594.76	423.75	477.55
Mexico (18)	1093.64	-3.0	1019.70	685.56	857.80	6809.66	0.7	1.50	1127.14	1064.47	710.13	896.73	6759.47	2647.08	1028.59	2397.46
Netherland (19)	219.50	0.7	204.66	137.60	172.17	169.50	-0.7	3.41	217.99	205.87	137.34	173.43	170.69	223.30	191.28	203.25
New Zealand (14)	73.06	-1.4	68.12	45.80	57.30	60.43	-1.3	4.84	74.09	69.97	46.68	58.94	61.24	77.59	62.05	71.75
Norway (23)	209.84	0.6	195.66	131.54	164.59	188.08	-0.8	1.84	208.83	197.22	131.57	166.14	189.69	214.65	177.53	195.03
Singapore (44)	333.18	-2.3	310.67	208.87	261.34	221.95	-2.8	1.93	341.04	322.08	214.86	271.33	228.27	401.38	294.66	333.53
South Africa (59)	301.75	0.0	281.35	189.16	236.68	272.72	-0.7	2.44	301.79	285.02	190.14	240.10	274.74	342.00	205.55	260.13
Spain (38)	129.73	0.6	120.96	81.32	101.76	128.96	-0.9	4.49	128.93	121.76	81.23	102.57	130.16	155.79	124.87	145.60
Sweden (46)	238.83	0.8	222.68	149.71	187.33	262.01	-0.4	1.49	236.81	223.65	149.20	188.41	263.12	242.81	196.70	218.13
Switzerland (47)	166.62	0.9	155.35	104.45	130.69	131.03	-0.7	1.86	165.12	155.94	104.03	131.37	131.96	176.56	149.91	169.15
Thailand (46)	140.45	-2.8	130.96	88.05	110.17	136.70	-2.8	2.89	144.56	136.52	91.07	115.00	140.63	-	-	-
United Kingdom (205)	193.60	0.2	180.51	121.36	151.86	180.51	-1.1	4.27	193.20	182.46	121.72	153.71	182.46	214.96	181.11	213.17
USA (513)	190.22	-0.4	177.36	119.24	149.20	190.22	-0.4	2.93	191.07	180.44	120.38	152.01	191.07	196.04	178.95	193.02
Americas (662)	175.22	-0.5	163.37	109.84	137.43	147.04	-0.4	2.88	176.09	166.30	110.94	140.10	147.68	-	-	-
Europe (723)	169.43	0.4	157.97	106.21	132.89	148.06	-0.9	3.15	168.69	159.31	106.28	134.21	149.43	178.58	160.59	173.53
Nordic (128)	229.98	0.8	214.43	144.16	180.38	213.51	-0.5	1.39	228.07	215.39	143.69	181.45	214.59	233.91	197.70	211.03
Pacific Basin (809)	153.72	-1.3	143.33	96.36	120.58	100.47	-1.8	1.21	155.76	147.10	98.13	123.92	102.27	176.86	148.16	152.35
Euro-Pacific (1532)	160.17	-0.6	149.34	100.41	125.63	119.00	-1.4	2.06	161.05	152.10	101.47	128.13	120.68	175.14	158.25	161.01
North America (616)	186.14	-0.5	173.56	116.69	146.00	185.99	-0.5	2.92	187.04	176.65	117.84	148.81	186.86	192.73	175.67	190.01
Europe Ex. UK (518)	152.57	0.6	142.25	95.64	119.67	128.60	-0.8	2.51	151.71	143.27	95.58	120.69	129.68	158.12	144.12	149.32
Pacific Ex. Japan (325)	218.78	-1.6	203.99	137.15	171.60	191.64	-1.8	3.49	222.32	209.96	140.07	176.88	195.16	291.75	217.36	273.49
World Ex. US (1740)	160.69	-0.8	149.83	100.73	126.04	122.28	-1.3	2.07	161.60	152.62	101.81	128.57	123.94	176.65	160.40	163.17
World Ex. UK (2048)	167.04	-0.6	155.74	104.71	131.02	139.01	-1.0	2.18	168.04	158.70	105.87	133.69	140.43	178.59	164.27	168.20
World Ex. Japan (1769)	182.88	-0.2	170.51	114.64	143.44	173.03	-0.7	3.02	183.26	173.09	115.47	145.81	174.28	195.20	176.34	190.83
The World Index (2253)	169.37	-0.5	157.92	106.17	132.85	142.76	-1.0	2.38	170.26	160.79	107.27	135.45	144.23	180.80	166.19	172.11

Latest prices were unavailable for this edition.